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ECONOMIC AND INDUSTRIAL AFFAIRS

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23 April 1984

EAST EUROPE REPORT
ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

ANDROPOV EULOGIZED AS ECONOMIC REFORM PIONEER IN WARSAW WEEKLY

Warsaw POLITYKA in Polish No 7, 18 Feb 84 p 11

/Text/ A future historian will evaluate in which field of activity--political, social, international--the influence of Yuriy Andropov was most felt. But his reforms of the Soviet economy most certainly will be covered. What has occurred in the last few months will have long-range impact on the Soviet economy.

When Andropov became first secretary of the CPSU and chairman of the Supreme Soviet, he was fully aware that the enormous economic, technical and above all human potential of the Soviet Union was not being utilized; that many economic, scientific, technical and organizational activities could be better interconnected and that many areas of economic activity, with better planning, could achieve much more significant results.

Within these particular circumstances, we must determine the reason for the late leader's emphasis on improvements in economic activity, work discipline and stimulation of individuals and groups.

For several decades, the Soviet economy has been undergoing a transformation not only in production but also in management and supervision. A continuity can be cited, that in the principle of economic progress within socialism particular forms and principles remain from each step of development while others are adapted to existing conditions.

If we evaluate the situation from this point of view, then we can see the economic processes that led to reform actions.

Without exaggeration, we can state that new and very deep stages of reform of the Soviet economy began during the period when Yuriy Andropov was in power. Because of the complicated nature of economic processes, these undertakings are not very visible and the results will not be seen for some time.

The Soviet economy today is more mature and commands a larger economic and technical potential than was the case in the years before the

reform processes were commenced. Modification of the system today is both more necessary and more possible. In this context, the reader must be reminded that in every speech, every lecture and in every article by Andropov, he underscored the economic mechanism with respect to domestic problems. He knew that the Soviet economy was ready for general changes, but he also stated the following at the plenum in November 1982: "Economic reforms must be instituted carefully taking into consideration the experiences of our fraternal countries. An increase in independence should be accompanied by an increase in responsibility and care for the national interest."

Three directions are apparent in the reform of the Soviet economy. Each one is important and each one fulfills a slightly different task.

The first direction is concerned with perfecting the management system by small steps. This is concerned with a resolution on strengthening social and production discipline, a resolution on workers' collectives and many other undertakings against waste, an increase in the quality of production, etc.

Especially great significance has and will have the resolution on workers' collectives. Not changing the fundamental elements of the management system of the national economy, the collectives have acquired numerous powers in the areas concerning working people. Among other things, the law guarantees participation in social and economic planning, negotiation of contracts, rational utilization of material means, assurance of work discipline, proper work organization, development of competition, division and utilization of material funds, improvement of conditions and protection of work.

The second direction will carry a wide range of experiments in the Soviet economy. Experiment has become one of the most important methods of verifying the success of conducted changes. This is how it was in the past before the reform of 1965. This is how it is in the present, although the scale and range of experiments exceed anything attempted in the past.

There are three basic experiments at the fore. The first deals with the food complex, which was addressed at the plenum in November 1982. At the time, one of the most important tasks was the creation of economic solutions at the base level, connecting enterprises from the ministry and the territory. In the Soviet Union, 3,100 regional farming-industrial associations were created to bring together the various kolhozes, sovhozes, enterprises and organizations, employing over 31 million people. The regional farming-industrial associations (RAPO) already had 52,000 farms, 7,500 industrial enterprises, over 23,000 enterprises serving agriculture and over 17,000 other enterprises. A complex activity was conceived to improve farming in

the rural areas. Prices for agricultural products were raised, price subsidies for farms with deficits or low pensions were introduced and numerous undertakings to increase investments were added.

The second experiment, most certainly the largest in scale, encompasses five central and republic ministries: the Soviet construction and transportation industries, Soviet electrotechnical industry, Ukrainian food industry, Belorussian light industry and Lithuanian regional industry. The essence of the experiment depends upon increasing the independence of associations and enterprises toward responsibility for the final product. The principles of this experiment, which were adopted by the party and the Council of Ministers in July 1983, took effect on 1 January 1984. We must emphasize the enormous contribution of Yuriy Andropov in defining the main directions and calling the attention of the party and Soviet society to their economic and social meanings.

The third experiment will deal with services. The Politburo passed the resolution on 3 January 1984. This experiment will be conducted in two autonomous republics--Bashkir and Komi, in Altay Krai in the oblasts of Astrakhan, Ivanovo, Kemerovo, Saratov and Jaroslavl. This covers an area inhabited by 17 million people. This will touch both the European and Asian parts of the USSR as well as big cities and small towns. As in industry, the experiment will increase the independence of the services enterprises by reducing the planning indicator. The service enterprises will be able to employ people on a part-time basis (students, pensioners, housewives, etc.). Part of the profits will remain with the enterprises and can be used by either the enterprises or the workers as material incentives.

Other experiments were begun on a limited scale under Andropov. For example, in the city of Poti in Georgia, a territorial-trade association grouping together 57 enterprises and economic organizations came into existence to exploit production output, transport, etc. In five large enterprises in Leningrad, an experiment was conducted whose goal was to perfect the mechanisms for salary distribution among constructors and technicians.

Numerous experiments in a wide array have to be in service to gather the information needed to work out the programs for Soviet economic reform. This is the third direction for perfecting the Soviet system for directing the national economy.

In a text presented before the plenum of the CPSU, Yuriy Andropov stated: "Right now the program has been worked out that will be responsible for developing the socialist economy and the character of resolved tasks." The Soviet leader expressed the basics of the program as follows:

--"perfection of the administrative structure in all levels of the national economy to define precisely the functions and responsibilities of administrative organs and enterprises to serve the needs of the state and working class;

--improvement of the planning system in the national economy for more affective socioeconomic production;

--increased efficiency of the entire economic complex through price supports and financial and credit incentives as well as methods to assess economic activity."

The presented complex of issues on reform of the Soviet economy is tied to the name of Yuriy Andropov. These concepts go beyond the Soviet economy and have important meaning also for the socialist countries. This is not only because they are economically and technically bound to the USSR, but also because the socialist countries profit from the experiences of others in directing the socialist economy.

9807
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INTERNATIONAL AFFAIRS

CEMA: LESS DEPENDENCE ON OIL, MORE ON ATOMIC ENERGY

Copenhagen INFORMATIONEN ONSDAG in Danish 7 Mar 84 p 3

[Article by K. Bruun]

[Text] An unshakable belief that nuclear power is a safe, clean, and stable source of energy is one leg that East European energy planning is standing on at the moment. But there is no talk of hobbling. The energy policy is moving on two legs: the other is called the necessity of reducing dependence upon oil and of having more confidence in one's own resources.

The international oil crisis at the beginning of the 1970's put the East European countries in a real dilemma.

Moscow made it clear at the time to the East European countries that they could not count on ever-increasing oil imports from the Soviet Union. In order to cover their rising demands for energy, they would have to count more on nuclear energy and to utilize their own resources to a greater extent, for example, coal.

Optimistic Prediction

The result can, among other things, be read in the prediction COMECON has made that nuclear energy in 1990 will cover about a third of the supply of electricity in the Soviet Union and Eastern Europe.

There is therefore a great deal more optimism than is found in other places in the world. The American Department of Energy has just given up its prediction of ten years ago that nuclear power in 1985 would cover 25 percent of the supply of electricity. The amount today is barely 12 percent, and today's prognosis says that by the year 2020 it can be 22 percent.

It is Soviet technology and know-how that is the essential driving force behind the development of nuclear energy in Eastern Europe. Only one country, Czechoslovakia, has a nuclear industry of any significance. And only one country has sought the assistance of other countries in its nuclear program: this is Romania, which has gone in with Canada on the purchase of two nuclear power facilities.

Back to Coal

For the individual countries, the situation in brief is as follows:

Bulgaria is at present the country that is placing most emphasis on nuclear power. Last year, the country covered 24 percent of its electricity consumption in this way. Bulgaria entered the nuclear age in 1974 and today has four plants that will be followed by another five in coming years.

One of East Germany's problems is a relatively high energy consumption per inhabitant, about 15 percent higher than in West Germany. The GDR therefore encourages energy saving, the move from oil to coal, and the development of nuclear power. Last year, 11 percent of the East German electricity came from the country's total of five nuclear power plants. Another eight plants are under construction.

Poland still has no nuclear power plants, but has several times considered two plants that now are under construction. On the other hand, Poland has taken upon itself the greatest responsibility -- and with it also the greatest fruit -- in a large nuclear power plant of 4,000 megawatts that the COMECON countries are financing together in Khmelnitski in the Ukraine in the Soviet Union.

Romania Is Dealing in Canada

Hungary has one nuclear power plant in use and three more under construction. Last year, 5 percent of Hungarian electricity came from nuclear power. At other power plants there has been some transfer from oil to coal. Czechoslovakia has two plants in use and six under construction. This amounted last year to just seven percent of the total electricity consumption in the country. In future power plant construction, Czechoslovakia will go in exclusively for nuclear power.

Romania has up to now not received electricity from its own nuclear power plants. The country is trying quite consciously to become self-sufficient in energy. Romania is the only country in the Soviet bloc that has not imported oil from the Soviet Union, and in recent years it has conserved its own oil resources by making a partial changeover to coal. This year the country will receive its first electricity from a nuclear power plant that was bought in Canada. The next Romanian power plant will also come from Canada, while a third is ordered in the Soviet Union.

There is an extra subtlety in the purchase of the Canadian CANDU reactor: it can be fired by natural uranium. This means that Romania is the only country in the Eastern bloc that will be able to use its own uranium directly. The path to the nuclear reactors only goes by way of the enriching reactors that the Soviets have a monopoly on in the East.

Safety Philosophy

In spite of all differences in the development of nuclear energy in the Eastern bloc: not one -- not even the markedly different country of Rumania with its foreign dealings -- questions the safety of nuclear power plants.

"It can't happen in the Soviet Union," was the message a group of American energy experts came home with after a visit in the Soviet Union last summer, where they, among other things, discussed the accident at Three Mile Island in 1979.

A group of West German opponents of nuclear power returned home with the same assurance from a visit to the East German nuclear power plant in Rheinsberg in January, 1983.

On both occasions there was discussion, among other things, of the need for evacuation plans. The American experts returned home with the impression that there are no evacuation plans in the Soviet Union.

In East Germany there was talk, among other things, of the safety precautions that can go into effect to avoid accidents at nuclear power plants. Such precautions are not discussed openly for several reasons.

"First of all, there is no interest among the people for these things, for they were already told when the plant was being built that there was no danger," the East German engineers answered according to a discussion of the visit in the Berlin newspaper TAGESZEITUNG.

The engineers added that in the second place there was no danger of an accident that would have great effect on the environment. And the final, third reason was that they didn't want to frighten the population with information that there actually was no need for.

Profit

The Soviet nuclear reactors -- those exported to eastern European countries as well -- up to a few years ago lacked the protective reactor cover that is obligatory for reactors in the West.

When the reactors today are equipped with such a capsule, it is, in the words of the East German engineers, "not because it is safer, but because it is an international standard that has been established."

East German researchers have earlier contributed to the discussion on safety philosophy with the viewpoint that reactor capsules were a capitalistic invention that only had the purpose of making an extra profit of up to 30 percent at home.

One of the few coherent reports that exist about accidents at nuclear power plants in the East comes from the Czech human rights group, Charter 77.

In 1978 the group delivered a report from a group of nuclear energy experts on a series of accidents said to have taken place at a nuclear power plant in Bohunice in the mid 1970's.

The Charter 77 document ascribes the accidents to irresponsible management in the nuclear power plant, who, among other things, did not uphold the strict rules on working time. The authors express their satisfaction that nuclear power opponents in the West have made nuclear power into an open political question. The authors, who call themselves "experts in the field," do not, on the other hand, wish to take a position on nuclear power as such.

It has never been officially confirmed that the accidents took place.

The Future

Even if there is faith in nuclear energy as one of the future's large energy sources in official energy policy, the Eastern bloc seems to be caught in the dilemma that nuclear power can fill some gaps in their energy supply, but that it is not without problems.

The factories are plagued by bottlenecks in production and planning that cause great delays. High costs have put a damper on parts of the development, for example, the Soviet Union has abandoned the idea of building a breeder reactor of 1,500 megawatt.

In brief, it can become difficult to reach a tripling of capacity in the nuclear energy field, the prerequisite to be able to cover 30 percent of electrical consumption with nuclear power by 1990. The American energy researcher Christopher Flavin recently summarized the difficulties in a report for the Worldwatch Institute in Washington: "The East European nuclear energy programs are almost certainly entering a difficult time, because the investment and the consequent financial and technical risks are growing rapidly. The massive centralization and lack of political opposition and financial control can easily create more problems than solutions, but it will be several years before the Eastern European nuclear energy program can be completely evaluated by those who stand outside of it."

9124
CSO: 3613/118

BULGARIA

'BULGARGEOMIN' OVERSEAS ACTIVITIES DESCRIBED

Sofia RUDNICHAR in Bulgarian 8 Mar 84 p 2

[Article by Engineer Kosta Kostov: "'Bulgargeomin'--Prestigious International Engineering Organization"; passages enclosed in slantlines printed in boldface]

[Text] With its comprehensive geological-survey, design and mine-construction activity the "Bulgargeomin" State Economic Trust for 8 years now has worthily defended its high international prestige as an engineering organization and the reputation of socialist Bulgaria as a country which is always ready to fulfill its international duty to the developing countries of Asia, Africa and Latin America in the accelerated exploration and development of their natural resources. That this is seen and understood by the people of more and more countries is indicated by the fact that by the end of last year "Bulgargeomin" had contractual relations with 12 countries, and this year the number has increased to 21 with a trend towards reaching 30 countries in 1985. And its program this year is twice as large as last year's program.

Geological and hydrogeological projects predominate at present in "Bulgargeomin" activity. Last year alone the Mineral Raw Materials Exploration Administration, operating in Libya, Iraq, Algeria, Tunisia, Syria, Mozambique, Angola, Nicaragua and Mongolia, did some 80,000 linear meters of drilling, including 15,000 linear meters for natural gas exploration, 33,500 linear meters of core drilling in exploration for various deposits of mineral raw materials, and some 27,400 linear meters of hydrogeological drilling. A considerable volume of geologic mapping and seismic profiling was performed, as well as related analytical-chemistry, technological and other research work. Technical assistance in geological surveying activity was rendered to Mongolia, Nicaragua and Iraq. Bids worth hundreds of millions of foreign-exchange leva were worked up and submitted to the contracting countries.

In Libya thus far over 800 wells have been drilled, from which about 5 million cubic meters of water per day are obtained, thanks to which some 1 million dec-ares of desert have already been converted into fertile lands. A request has also been received for execution of a project to create an artificial river, of which we can say that with immediate effect it will be of tremendous economic and political significance for the region and for the entire country.

In Iraq drilling and seismic explorations for petroleum and gas are being conducted, in Algeria a contract for hydrogeological drilling is being executed, while in Angola work in connection with exploration for phosphorite deposits has been wound up. In Mozambique geological reports, laboratory analysis research and geological mapping have been completed, and negotiations are under way for geological surveys of a large graphite deposit.

In Tunisia exploratory drilling for phosphate raw materials continues under contracts entered into as far back as 1982. Last year alone under difficult mining-geology and climatic conditions, over 32,700 linear meters of drilling were done there, with monthly efficiency of drilling equipment averaging 218.5 linear meters. In Syria comprehensive preparations have been completed and an organization set up for the execution of the largest project in "Bulgarageomin" practice thus far, which targets the exploration of the "Jebisa" gas field. The program targets drilling more than 30,000 linear meters, and that under very difficult geological and climatic conditions.

In Nicaragua, despite serious difficulties in transporting machinery and equipment under the existing military and political situation, a contract for geological exploration to expand the reserves of lead and zinc ores of the rebuilt "Vezubio" [possibly "Vesuvio," Vesuvius] mine is being executed.

With Cuba a contract was concluded for implementation of a program of geological explorations in one of the provinces and for delivery of our machinery and equipment for this purpose.

In Mongolia work will continue this year and in subsequent years mainly in the area of rendering technical assistance to the International Geological Expedition.

"Bulgarageomin" has also won merited recognition and a new position in the area of the /"extraction and processing of mineral raw materials"/

In Tunisia the trust has completed and finally delivered two mining projects-- "Bou Jaber" and "Djalta." Construction there took the form mainly of drilling, concreting and reinforcing a vertical shaft, 165 and 145 m deep respectively, as well as the delivery and installation of metal pithead towers and bunkers, reception platforms with mechanized car exchange and hoisting machinery, including all the equipment for mine hoists. The shafts that have been drilled solve the haulage and ventilation problems of the first mine, which is working a complex polymetallic deposit of lead-and-zinc, fluorite and baryta ore, as well as the problems of the second mine due to startup on the flanks of the worked deposit of lead and zinc ores.

In Algeria work is in progress under a technical assistance contract in the form of dispatching our team of specialists on the operation of the "Keraet Yusef" mine and concentration mill, built by "Bulgarageomin" for the extraction and processing of lead and zinc ores. Work is also under way on turning out a geological estimate, technological survey and design for starting up the "Bou Soufa" and "Oued el Kebir" beds for lead-and-zinc and copper ores. In Angola work is also in progress under a contract for rendering technical assistance by

dispatching 35 specialists with the mission of providing technical guidance in the operation of the mine and pilot installation built in 1981 for the production of phosphorite meal for this country's agriculture, as well as training local specialists to work independently. In Iraq petroleum extraction projects are being executed. Constructed there last year were a pumping station and a product pipeline for conveying five kinds of petroleum products with a capacity of over 5 million tons annually, while now installations are under construction which will make it possible for the product pipeline to cross the Euphrates River. In prospect is the conclusion of a contract with the People's Democratic Republic of Yemen for the building of a salt-extraction complex to produce 160,000 tons of sea salt annually.

"Bulgargeomin" has launched great reconstruction and engineering activity in Nicaragua. The "Vezubio" mine, opened up with a 120-m vertical shaft, is being rebuilt for the extraction of lead and zinc ores. And the "Bulgargeomin" engineering and technical team has worked out a preliminary design and working plan for the drainage and rebuilding of the "Siuna" mine for the extraction of 1500 tons of auriferous ore daily. A still wider program will be implemented this year and in subsequent years. The "Vezubio" mine will be put into operation. At the same time, the Bonanza concentration plant and the "Vezubio" - Bonanza ore-conveyance ropeway will be taken out of mothballs and put into operation. Drainage and rebuilding of the "Siuna" mine will begin in conformity with the plan that has been worked out, using the most modern equipment including high-efficiency materials-handling apparatus. The concentration mill will be rebuilt, keeping in mind that it is to undertake the processing of future production of about 1500 tons of auriferous ore daily. A start will be made on planning the reconstruction of the existing open-cut mine, as well as building a new concentration plant according to our designs with the objective that we should in the next 3-4 years reach underground and open-pit mine production of some 3000 tons of auriferous ore daily. The joint working subcommission that has been set up within the framework of the Intergovernmental Commission for Scientific and Technical Cooperation between Bulgaria and Nicaragua is working out a comprehensive program for stage-by-stage technical and economic development of the mining industry before the year 2000 in the entire Bonanza-Siuna-Rosita region of Northern Silaya [possibly Zelaya].

Proposals from Afghanistan, Mexico, Greece, Turkey, Argentina etc. are under study, with "Bulgargeomin" evaluating the possibilities of expanding its activities in these countries, too.

Everything thus far amply indicates that "Bulgargeomin" is a partner sought after by dozens of developing countries on three continents.

But if it is important to win international prestige, it is still more important to defend and strengthen it. How? By deeds alone--first and foremost by completing the work contracted for with every country and on every project on time, up to a modern technical level and with high quality. Given the opportunity that has emerged of significantly expanding its activity (under conditions of intensifying stagnation of the international market and high competition of Western firms), "Bulgargeomin" relies on the all-round cooperation and assistance of the corporations, economic organizations and scientific research

institutes within the Ministry of Energy and Raw-Material Resources, of the institutes in the Bulgarian Academy of Sciences, and of the foreign trade organizations.

/For year after year now the "Bulgargeomin" Trust has fulfilled and overfulfilled its planning targets and this gives us confidence that its workers and employees, defending the name and prestige of our socialist homeland at many geographic points of the world, will greet the National Party Conference and the 40th anniversary of the socialist revolution in Bulgaria with new worthy deeds./

6474
CSO: 2200/90

BULGARIA

CONTINUOUS SOVIET AID, TRADE RELATIONS REVIEWED

Sofia POGLED in Bulgarian 12 Mar 84 p 9

[Article by Barukh Shamliev, economic commentator of POGLED: "Like the Sea and the Shore"]

[Text] With the USSR's scientific-and-technical and financial assistance 300 enterprises have been built in Bulgaria. Sixty percent of our machine-building capacities are working on Soviet orders.

The treaty of friendship, cooperation and mutual assistance between Bulgaria and the Soviet Union was concluded in what now seems long-ago 1948. Today, 36 years later, we can assert with complete satisfaction that it has justified its historic purpose. It has proved to be not only a reliable tool of the Bulgaria then setting about the accelerated building of socialism. The truth requires us to emphasize besides that it was this shield that preserved our homeland's freedom and its independence against the attempts of imperialism to violate them. In this sense the treaty has been a clear manifestation of the nation's most cherished desires and an expression of genuine national interests, international obligations and socialist solidarity.

Now that we reread the first treaty clause by clause, we are convinced not only of the inner vitality and historical perspective it embodies, but also how long and fruitful a path has been traveled. Our national economy then was closed because of its economic backwardness, with negligible participation in socialist and international division of labor. The cooperation which the treaty envisaged with the passage of the years became integration. In 1948 our fondest dream was that the groundwork of socialism--industrialization and collectivization--should be built. Today socialism has triumphed and we are constructing the foundations of mature socialism.

Bulgarian-Russian friendship is centuries old. In the consciousness of our people, in their clearest intellects, it is forever linked with Bulgaria's liberation from five-centuries-long Ottoman bondage. Old Petko Slaveykov's contemptuous words were leveled against Russia's enemies during the bondage: "Oh, you blind men and lunatics, who do not think you would come to any grief, were it not, and will it not be, for this Russia." Perspicacious words!

Bulgarian-Soviet friendship is far from exhausted by the national emotions stemming from the depths of history. It is now more vivid, more invigorating, and has immeasurably richer content than at any other time in history. This friendship is cemented by the similarity of Bulgaria's and the Soviet Union's economic system. This friendship springs from the similarity of the political structure of Bulgarian and Soviet society under the leadership of the Bulgarian Communist Party and the Communist Party of the Soviet Union. The friendship between our socialist nations embodies their ultimate goals and common ideals. These are the strong key factors raising Bulgarian-Soviet friendship to ever greater heights. That is why it has become a trait of the national character and the self-esteem of today's Bulgarian. In this way the friendship between the peoples has been transformed into a state policy of both fraternal countries.

What are the specific parameters of the friendship between Bulgaria and the Soviet Union during the past 36 years?

It is worthwhile in the event to turn our glance backwards, for history is instructive. In a little more than three and a half decades 300 enterprises have been built in Bulgaria with Soviet scientific-and-technical and financial assistance! Let us list just a few of them for they are landmarks of a kind in the building of socialism: GORUBSO [Bulgarian-Soviet Ore Mining Company], the Lenin and the L. I. Brezhnev Metallurgical Combines, the Maritsa-East Power Center, the Varna TETs [thermoelectric power plant], the petrochemical combines in Burgas and Pleven, the Devnya Chemistry Valley, the Georgi Dimitrov and the Iliya Boyadzhiev shipyards and how many others besides! During these years the atomic whirlwind was tamed and the first atomic power plant was built in our country, and Bulgaria ranks third in the world in per-capita atomic power production! It is such plants and enterprises and many others like them, built with Soviet technical and credit assistance, that have shaped industrial Bulgaria's present-day image. They have radically changed both the spirituality and the thinking, as well as the way of life of Bulgarians of the 1980's.

During this period half of all production capital, which now exceeds the large (for our size) total of 90 billion leva, has been an achievement of active Soviet assistance. The most dynamic integration processes between the two fraternal countries have taken place in the area of machine building. During these 36 years Bulgarians have become most ardent partisans of Bulgarian machine building and in this field they have had the Soviet people as their staunchest allies. During these years a new contingent of the Bulgarian working class was formed--the 300,000 machine builders. More than there had been workers in bourgeois Bulgaria!

During this period Bulgaria not only doubled its machine-building output every 5 years. It also achieved something which few countries in the world, even those many times richer than we, have achieved: machinery and equipment sold abroad represent half of all Bulgarian exports, and the land of the Soviets takes 70 percent of them. We have reached the cherished point where in our machinery and equipment trade with the Soviet Union we have a positive balance. It seems to me that hardly anyone can point out to us an analogous case in the West--of a country, corresponding in size and industrial capabilities to

Bulgaria, having a credit balance with its primary partner, and this balance applying to the offsetting of machinery imports and exports.

Another fact in the implementation of integration between Bulgarian and Soviet machine building also gives much to ponder. Judge for yourselves. Bulgaria, which in 1949 (the first working year after the entry into force of the first Bulgarian-Soviet friendship treaty) did not export a single lev's worth of machinery and equipment to the Soviet Union. Now 60 percent of the machine-building capacities are working on Soviet orders. Let us for a minute assume the unthinkable! Let us assume that these orders are canceled. What a turmoil of unemployment and personal tragedy will loom over the heads of the workers in Gabrovo, Lovech, Varna, Lukovit, Shumen and Vidin, over the whole of Bulgaria.

One of the consummately synthetic indicators that vividly expresses the dynamic changes in economic cooperation between Bulgaria and the Soviet Union during the past 36 years unquestionably is foreign trade. The very fact that little Bulgaria holds fourth place in the USSR's foreign trade needs no special comment. Our foreign trade with the Soviet Union increased from 172 million leva in 1956 to 13 billion leva in 1983. In the limitless Soviet market with its constantly growing needs our products have won permanent positions. And not just vegetables and fruits, canned goods and ready-to-wear clothing, but also battery-operated trucks, electrotelphers, electronics and computers.

And, finally, this year the outlines of a still higher stage of development in the relations between Bulgaria and the Soviet Union have been delineated--the stage of all-round closer alignment both in science and in economics, as well as in culture and in the military sphere. The focus of our efforts is that the development of socialist Bulgaria should have the same rhythm, a unified criterion and, in Comrade Todor Zhivkov's figurative words, that a peak should be reached in the relations between Bulgaria and the Soviet Union such that they operate as one organism which will have the same lungs and will be fed by a unified circulatory system.

The first treaty created the political, economic and cultural preconditions for Bulgarian-Soviet relations to become a standard between socialist countries and, more especially, a standard of relations between two countries, one of which--the Soviet Union--is a colossus, and the other--a small country such as Bulgaria. A standard of relations of friendship between two peoples, inseparable as the sea from the shore.

6474
CSO: 2200/93

SIGNIFICANT STEPS IN PRICE MANAGEMENT DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 3 Feb 84 p 4

/Article by Eng Vlastimil Boura, candidate for Doctor of Science, first deputy director, Federal Price Office: "Continuous Setting of Calculation Rates"/

/Text/ Improving the price management system during the current 5-year plan requires a shift to the continuous setting of a price system that will assure a permanent correspondence between prices and socially necessary costs of production and so that prices can exert an active influence on the intensification of the economy. With this in mind, the price office issued Directive No P-9/1983 concerning the comprehensive establishment of the calculation rates utilized for price formation (published in the Price Bulletin, 1/1984), which extended this conception to apply to the area of new product price formation. This article contains information on the objectives and main principles of this new measure within the system of state price management.

The serious economic obsolescence of the calculation rates for fixed costs and for profits has resulted in disproportions in new product price formation. The goal of the comprehensive implementation of calculation rates is to assure--while adhering to the overall price level--the setting of rates for computing direct costs at an economically justified level and the differentiation of profit rates to better reflect changes in the final efficiency of specific products and organizations.

For these reasons the setting of calculation rates was one of the basic tasks established in the area of pricing by the Set of Measures. The set specifically provides for "the setting, normally at 2-year intervals and in justified instances, of calculation rates for new product prices formation that reflect the justified evolution of costs, capital intensiveness and effectiveness criteria while maintaining the existing price level in specific organizations."

Since the adjustment of calculation rates to reflect the results of the introduction of new technology is of great importance to the

management and stimulation of the entire innovation process, principles for the setting of calculation rates are also included in the regulation governing the management experiment aimed at speeding up research and development that was approved by resolution No 1/1983 of the CSSR Government.

Fixed Costs

Overhead costs--production and administrative overhead, as well as inventory and marketing overhead--are acquiring ever greater importance during the current stage of economic development. Under the conditions of the research and development revolution, trends are in the direction of fully mechanized and automated production processes, concentration and specialization, which to be sure reduces variable costs (unit costs), but at the same time usually increases costs connected with preparation for production, the production process, its control, servicing, etc. There is an ongoing and continually increasing need, therefore, to optimize the magnitude of these influences in overhead costs, and to maintain consistent management practices related to their allocation so that the introduction of new technology does not lead to an increase in overall production costs.

The development to date of overhead costs has been having a negative impact on efficiency, the competitiveness of our products, and on overall price development. It is therefore essential to devote substantially more attention to this area, not only in relation to prices, but also to the system of planning and budgeting these costs.

In its resolutions Nos 321/1982 and 270/1983 on the CSSR state budget, the CSSR Government established the principles governing the constraints on overhead costs for purposes of planning and budgeting for 1983 and 1984. The constraints are based primarily on overhead cost amounts for 1981 with the caveat that the constraints on production overhead may reflect the influences of justified changes in production technology, output, and price changes. At the same time the Federal Price Office was directed to adhere to the principles when setting calculation rates for price formation.

The importance of overhead costs and the urgency to regulate them more effectively is forcing modifications in the current approach of the price offices to the setting of rates for these costs. While so far the correctness of price changes has been assured primarily by comparing the full production costs incorporated into new prices with the planned full production costs of the appropriate period, it will now be necessary to concern ourselves with the justification of fixed costs, particularly of those components for which rates are set, such as other variable costs.

It is for these reasons that the comprehensive setting of calculation rates which the price offices will be carrying out as of 1 September 1984 will also contain the establishment of newly introduced rates for fixed costs.

In those sectors included in the pricing development plan for 1984 and 1985 this will serve as subsequent verification of the justification of the rates used as the basis for price changes. In instances where the rates that were used turn out to be higher than those calculated according to the guidelines, the rate will be lowered for new product price formation. The same approach will apply to sectors included in the price development plan for 1985.

In accordance with principles approved by the Federal Government for the setting of rates for administrative overhead, these will be based on the actual administrative overhead amounts for 1981 which applied to industrial production, reduced by an amount expressing cost overruns on items for which limits had been set for the organization, and adjusted for other influences (cost shifts between administrative and production overhead and the addition or subtraction of costs connected with newly operational or phased-out plants, facilities or activities).

In the setting of production overhead rates where it is necessary to take account of the impact of the introduction of newly introduced technology, the base will be the actual 1983 costs, with the incorporation of 1984 price influences. The true amount of production overhead is reflected in the depreciation figures in conjunction with a comparison of the utilization rate of blue-collar positions in the production operations of a given organization with the sectoral average. To the extent that this utilization rate in an organization is worse than the sectoral average, there will be a proportional decrease in the depreciation amount.

Differentiated Profit

The assurance of justified differentiation in the profit rates used in price formation and that they will be established in accordance with the development of the efficiency of specific products constitutes a significant basis for the more effective functioning of price formation in support of the main objectives of the national economic plan and for it to have the proper impact on planning methodology (especially on the adjusted value added and return on production assets indicators), and is in full accordance with the role of profits in the entire system of enterprise, collective and personal economic incentives.

The fact that profit represents a significant portion of adjusted values added serves to focus enterprise innovational activity on the interests of the individual enterprise. In order to assure a greater correspondence to national economic requirements, new product price formation makes use of a rate for calculating profits that is differentiated according to export effectiveness.

The objective of setting profit rates is, then, to distribute new rates to individual sectors so as to achieve the requisite relationship

between price formation and the principles implemented in the gradual annual price changes in 1984-1985. It will lead to a differentiation in them corresponding to the actual managerial sophistication of individual organizations and to the final efficiency of specific products, evaluated by the relationship between domestic prices and the prices obtained when exporting.

These objectives will be achieved as follows:

--the initial data are profits from the reports for 1983, converted to profits from industrial production and adjusted for price influences on outputs and 1984 costs, and for certain other factors;

--calculations of the average profit margin (return on production assets) of organizations will be based on the average level of acquisition costs of capital assets for industrial production in the years 1981-1983 and the planned inventory levels for this production in 1982. In the event that new production facilities began operations during this period, the full acquisition costs of their capital assets may be accounted for only if in 1983 these facilities had reached their full designed capacities;

--the average profit margin for an organization as a whole will be differentiated according to the differential export indicator of those sectors which in any of the past 3 years (1981-1983) managed to export at least 10 percent of their total deliveries. The same methodology will be used for this as was used to evaluate changes in wholesale prices for 1985, i.e., by comparison of the differential export indicator of the pertinent sector with the target (sectoral) differential export indicator. The profit rates for price formation may be increased or reduced by as much as 75 percent in terms of the actual average profitability of the organization.

Inasmuch as the price organs have no information on the scope and the magnitude of variability of the profit margins that will occur within organizations following the 1984 price changes, it is impossible, even in guideline form, to determine the means for setting the implementational rates. Therefore, the proposals for the setting of rates have been drafted in two variations, with the understanding that the price organs will make the decision concerning the adoption of one of them.

Improving Management

The shift from long-term, fixed rates for fixed costs, especially for production and administrative overhead, and profit rates to the continuous setting of rates is not only intended to foster their updating to economically justified levels and the elimination of certain negative elements of the current system, but it also represents an important mechanism for the central management of new product price formation.

The rationality of the central management of price formation with the aid of rates for fixed costs and profits results primarily from the fact that these are significant summary indicators aggregated usually by sectors, and in some cases by product groups, which are appropriate above all for comparing and analyzing differential indicators of specific organizations in the same sector of production, a task which cannot be conducted at the economic production unit /VHJ/ level. At the same time these rates, to the extent that they are taken seriously, influence the price formation of all products whose prices are formed with the assistance of pricing calculations, without regard for whether the responsibility for establishing prices rests with the price office, the VHJ or the individual organization.

The use of rates to facilitate the central management of prices is advantageous as well because these rates may be flexibly adapted to the development of critical economic conditions, and especially the tasks and objectives of the plan. This is primarily a matter of reducing unjustified differences in rates for fixed costs, of the standardization of significant components of administrative and production overhead, of the objectivization of the capital stock that is critical for setting the profit rate, etc. The profit rates have an important role to play in facilitating the gradual merging of domestic with foreign prices. When implementing profit rates in sectors whose production is exported, there will be a gradual merging of this profit rate to the actual profit rate obtained in export purchase prices. Simultaneously, it must be assured that profit rates for the formation of domestic wholesale prices in sectors with below average export performance not be higher than the rates obtained in purchase prices after increases from any applicable export premium or subsidies.

In terms of the overall price management system it is also essential to emphasize the controlling function of established rates. Rate setting carried out immediately after the introduction of price changes makes possible the timely verification, especially with the assistance of plan and budget data for the year in question, of the justification for established directives and the rates used in the price changes as well as the conduct of immediately necessary measures in new product price formation.

The consistent application of overhead and profit rates also makes possible the resolution of several longstanding problems and shortcomings in price formation. For instance, disproportions (unjustifiably fluctuating profitability) in the prices of certain existing products will not be transferred to the prices of new products. These disproportions will not be further spread in the process of price formation. On the contrary, the prices of new products will be set at an economically justified level. It will also significantly restrict opportunities for the speculative choice of comparable products with relatively higher fixed costs and profit margins with the objective of transferring these high rates to the prices of new products.

Experiences have been positive in the implementation of fixed cost and profit rates in relation to the methodology of planning and finance, especially regarding the binding indicators of adjusted value added and return on capital assets. In terms of the volume of production represented by new products, an established rate will be used for price calculations that will eliminate the influence of product mix factors in this portion of production. We have previously been unsuccessful in dealing with the impact of these factors on binding plan indicators.

The established (set) rates for production and administrative overhead will not be obligatory in cases where production organizations, in order to comply with CSSR Government Resolution No 151/1982 (which, among other things, directs production organizations engaged in the manufacture of production assets to allocate at least 1 percent of their production to deliveries of capital assets that are in short supply for the domestic market), begin to produce consumption items in technically inappropriate facilities. In these cases, the price need not reflect the full overhead costs necessary for the main product, but only an amount corresponding to the character of the appropriate group of consumption products.

Established Approach

In view of the fact that the comprehensive setting of calculation rates will be first implemented, and the foundations for it first developed by specific organizations, it has been effective to formalize in detail the means of their establishment with the help of binding questionnaires with explanatory notes which explicitly designate the data to be included in it. This approach is essential as well for the machine processing of this enterprise data in the Price Computation Laboratory of the Federal Price Office. The prescribed data on specific questionnaires concern industrial production as a whole and are broken down only by sectors. For the most part the data will be taken from either accounting records or from 1984 plan calculations, and particularly from sectoral planning figures. It will be necessary to make independent calculations in only a few instances.

The source of this data will be documentation and planning divisions, and it is therefore necessary that senior organization managers enlist the active participation of employees of these divisions.

The schedule for the setting of these rates have been established so that it will be possible to proceed from drafts of the 1984 plan while still allowing enough time for the development of the necessary organizational preconditions. Excluded from these intentions were those sectors, including VHJ's, which are participating in the 1985 wholesale price development plan (apart from the verification of overhead cost rates) and certain other products where the implementation of these measures is not essential.

Comprehensive rate setting is a new measure which organizations have not introduced before, but the justification for which is indubitable. For this reason, the price organs will rescind or simplify certain existing forms and techniques of price formation management in conjunction with their setting.

Rate setting concerns only major products, and for this reason the price organs approved at the end of last year a definition of so-called other production activities which include auxiliary, associated and minor products. Price formation and negotiation techniques in this area, just as for investments in in-house overhead and deliveries for repairs and maintenance, are conducted in principle by the VHJ's. This simplification, according to VHJ data, will apply to about 70,000 prices annually in the category of other production activities. Along with prices for deliveries for in-house investment, repairs and maintenance, the number of such prices may be estimated at about 100,000 per year.

The obligatory implementation of rate setting for administrative and production overhead and for profits in conjunction with the further development of binding techniques of price formation will generate the requisite conditions for expanding the functioning of the VHJ's as well as organizations in the area of price formation. The establishment of wholesale prices directly by the price offices can then be gradually restricted to products of national economic and volumetric significance and to the setting of price guidelines.

Continuous rate setting will also have a positive impact on the price development plan in the sense that new product prices will regularly be set at an economically justified level, meaning that in sectors with a relatively greater product mix turnover there will be a significant decline in the number of changes that must be implemented and in their assessment.

In view of the fact that one of the objectives of this setting is to increase the pressure exerted by prices on the improvement of the management of overhead costs and the competitiveness of new products on foreign markets, it may be expected that these measures will not be accepted in a positive way by all organizations. They may appear as a stricter version of the current approach to new product price formation in those organizations which to date have not devoted enough attention to the development of overhead costs and the export efficiency of their products.

To assure the proper introduction of comprehensive rate implementation it is essential that senior managers devote increased attention to these measures in the interest of creating improved economic conditions for the process of innovation, the implementation of new technology and

and assurance of effective changes in the structure of reproduction. In this regard, VHJ's have the opportunity to propose mutually compensating shifts in profit rates among their constituent organizations so as to correspond with their technical, production and commercial conception of development and so as to more effectively contribute to the reconciliation of public and enterprise interests in specific organizations.

9276
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CZECHOSLOVAKIA

RETAIL TRADE PROBLEMS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 10 Feb 84 p 2

/Article by Jan Kumr, CPCZ Central Committee Employee: "Retail Trade Turnover"/

/Text/ The development of personal consumption in our country is fully dependent on our success in increasing sources of merchandise for the domestic market. The past year, despite well-known problems in the economic sphere, has been a basically successful one in this regard, in the sense that we were able to satisfy growing consumer requirements. This was possible thanks to the purposeful interest of the party and of economic organizations in the maintenance and further increase in the standard of living and the efforts of production and retail trade workers.

Concern was intensified throughout the management system for the balanced development of our national economy and for the assurance of the requirements of the domestic market, which was in part responsible for a near correspondence between requirements and the objectives that had been outlined. From this viewpoint, solutions to problems required new, more responsible approaches and the choice of significantly more sophisticated implementational forms. Instead of the "passive surrender" to these more difficult conditions expected by Western propaganda and an uncritical submission to various incorrect moods, the predominant attitude was one of respect for justified requirements for a material increase in consumption, taking account, of course, of the need to refine the character of the socialist way of life of our society. The result, especially by the end of the year, was a broader and richer assortment of goods on the market, greater quantities of innovative and high-quality goods. This has resulted from the implementation recently of the results of scientific and technical progress as directed by the Eighth CPCZ Central Committee Plenum. This attitude is contributing to the mastery of several problems related to structural imbalance, the pace of innovation, and structural shifts in the domestic market, although the results in all areas are not equally satisfactory.

Consumer decisions to use their cash depend on the availability of amounts and types of goods that correspond to their preferences for spending discretionary income. In this regard we should evaluate positively the fact that during 1983, and especially toward the end of the year, we were better able to assure deliveries of demanded consumer goods that had been in short supply, to expand the sale of luxury and innovative consumer goods of the highest quality, carry out so-called supplementary production to augment the market and, on the whole, to increase the efficiency of commercial policy in relation to the domestic market. This has, undoubtedly contributed to an intensification of the overall reproduction process and to a strengthening of incentives to take an interest in one's work, while at the same time refining the socialist life style, the function of which is the comprehensive development of the human personality and an increasingly rich social life.

We shall take freezers as an example: in 1980 they represented 4.7 percent of total sales of refrigerators, a figure that increased in 1981 by 94.9 percent, in 1982 by an additional 62.2 percent, and in 1983 by 31.8 percent. Because these numbers are still not sufficient, projections for this year are for production deliveries and imports of an additional 50,000 freezers. The same is true for other product groups, such as color televisions, bicycles, tools, etc.

Current trends are increasing the demands on the quality of the structure of output, to which is also connected, however, its raw material and energy intensiveness.

The objective of continually improving the satisfaction of consumer requirements is the more demanding because it may be accomplished only by assuring changes in the structure of deliveries mainly of consumer durables, which will lead to an improved situation on the domestic market.

The supplies available to retail organizations, especially during the fourth quarter of 1983, were significantly more varied. This fact turned out to be a welcome stimulus as well for employees of retail outlets to increase their interest in satisfying consumer requirements; the result was a relatively satisfactory level of fulfillment of both the quarterly and the annual plan. The level of supplies, along with a favorable situation in terms of the discretionary incomes of consumers, led to higher levels of retail trade turnover not only in comparison with last year but also in comparison with the 1983 plan. The main retail systems fulfilled the retail trade turnover targets for the CSR at a 101.1 percent level and for the SSR at a 100.7 percent level.

Inventories of food items moved smoothly. The possibility of drawing on increased deliveries of meat products in cases of need helped to create a favorable supply situation which in turn led to a calmer

development of demand. Shortages were evident only in raw fats and, locally, in some types of meat. Sources of freshwater fish were adequate to cover market demands, and sufficient amounts of an entire range of poultry products were available. The same was the case with eggs and the basic types of milk products, including sour cream and whipping cream. Difficulties persisted--despite some improvement--in the overall selection of cheeses. The supply of bottled beer in some areas fluctuated, and the demand for 12-percent beer was not fully satisfied. In most cases, however, the demand in terms of volume was met. There were enough nonalcoholic drinks available. There was an adequate supply of apples, grapes, lemons, oranges and dried fruits. Supplies of bananas and tangerines, even though deliveries ran ahead of last year's, were not enough to meet the demand.

The supply of consumer goods at the end of the year was on the whole better than the year before. In a number of product lines the market had been augmented by new domestic and imported products. Nevertheless, deliveries were inadequate for some product lines. In particular, it was not possible to meet the demand for certain durable consumer items, some cotton textiles and clothing goods, rubberized textile footwear and certain models of personal cars. The reduction in the prices of automatic washers at the time of the Christmas buying season was a positive pricing measure for consumers which led to a 50-percent increase in their daily sales in the week prior to Christmas.

Consumers have reacted favorably to an improved supply of consumer goods, as well as to the supplies of foodstuffs available in Prague since December in special stores, of high-quality glass and porcelain products, traditional woolen rugs, jewelry product lines and other merchandise in selected Textil, Odevy and Obuvi stores.

Retail trade turnover in 1983 on the whole increased in the main commercial systems by 2.8 percent over the previous year. The plan had projected an increase of 2.2 percent. Developments in the fourth quarter contributed substantially to this performance. It may be stated that it was precisely in this quarter that demand developed without significant fluctuations over and above the traditional pre-Christmas growth and a substantial and increased consumer presence in the retail network.

An additional increase in retail trade turnover on top of the one recorded last year is being projected for 1984, in conjunction with increases in personal income now being considered. It is expected that consumer durable sales will increase faster than sales of food items. In accordance with the resolution of the 18th CPCZ Congress, however, this will be achieved only under the conditions of further increases in innovation, higher quality, and faster delivery rates for merchandise that has been in short supply than we have had up to now. To fulfill these plan objectives it will be necessary to adopt

a still more committed attitude toward the implementation of proven forms of initiative and to the development of the abilities of all workers participating both in the sales of merchandise and in research on domestic market requirements.

9276
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INVENTORY MANAGEMENT PROBLEMS DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 10 Feb 84 p 7

Article by Eng Jaroslav Dusek, economic director of the Ferrous Metallurgy Economic Production Unit: "Limit Production Because of Inventories?"; article written while author was economic deputy at Poldi Kladno, a position he held until 31 December 1983 (on 1 January 1984 he began work at the Ferrous Metallurgy Economic Production Unit)]

Text Clearly, the only way to discuss an optimal level for inventories is to talk about determining the requisite composition of inventories within that volume of resources that can be freed up for them. It is not only a matter of what we would like to have (production, technical, retail) but also a matter of how many resources we can generate for allocation to inventories, thereby tying them up in this fashion. For this reason, inventory management must also be guided by the principles of the effective valuation of all production process resources, which include inventories. However, inventory management has had a few shortcomings, as recent experiences can attest. I would like to illustrate them with examples from our enterprise.

The most important moment for determining whether inventory targets have been met is the magic date of 31 December. If an enterprise succeeds in meeting its objectives for inventories by this date everything is fine. Everything is even fine, usually, if the enterprise was managed during the year with higher inventory levels, whether in accordance with the plan or as a result of its outright failure to meet plan objectives. In the latter instance it would have problems with the branch bank that was financing it, and may even have been assessed stricter credit terms during the year. Even this, however, may be avoided if the enterprise negotiates a feasible liquidation plan for its excessive inventories which can allow it to meet its objectives by the end of the year.

Methodological and Material Problems

An enterprise is in worse shape which manages its inventories throughout the year according to the plan or never even achieves this level, but which during the final days of the year, for various reasons, fails to meet plan targets for working capital.

Here, though, problems arise with the annual comprehensive analysis, and the payment of profit-sharing bonuses is threatened. Problems also arise in the distribution of earnings because the excessive inventories must be financed from enterprise resources, and specifically at the expense of allocations to the economic incentive fund of the enterprise. The bank will impose sanctions, 50 percent of which is drawn from wages payable resources and which in all probability will result next year in increased interest rates charged for credits to finance inventories.

An additional problem is the impossibility of recording temporary inventories on the final day of the year. This was made impossible for all practical purposes by the issuance of Federal Ministry of Finance Decree No 48/1983, SBORNIK, which modifies and supercedes Federal Ministry of Finance Decree No 164/1980, SBORNIK, concerning the financing of working capital. It cannot be reasonably assumed that the category of temporary inventories can be eliminated from economic practice. These are inventories that occur in an unplanned fashion, but which are designated for future, planned consumption. They consist, for instance, of customer deliveries that have arrived ahead of schedule, or, in cases of suppliers, of production in excess of the plan that is set aside for orders to be filled the next year. This is, then, quite clearly a matter of short-term inventories which under no circumstances should be considered as undesirable. Nor should it be asserted that they need not exist.

Temporary inventories exist and will continue to do so, only now working capital must be used to finance them, i.e., the same source that is used for inventories that are continually turning over. Why was this technique chosen, when the use of financial resources designated for inventory items that continually turn over to finance temporary inventories is in violation of section 8, paragraph 4, letter c) of Decree No 169/1980?

Moreover, for back financing it is sufficient to plan inventories at the original level in the year following the one in which the Sanctional transfer is levied. This, however, does not resolve the issue in cases where there is a back transfer, of how to compensate for unrealized allocations to the economic incentive fund to which, after all, an entitlement exists (because indicators were fulfilled), but for which there were no resources because there were inventories in excess of the plan.

Problems also result from the fact that inventories of scrap metal held by the scrap metal industry single purpose organization, are not included among those inventories subject to regulation. If, however, such inventories are on the premises of a consumer, such as near the furnaces in a metallurgical firm, then they are considered as regulated inventories. Towards the end of the year, then, it is understandable that attempts are made to minimize this type of inventory item. At the same time this is a raw material of which metallurgical plants

process a huge amount, and which is very demanding on the transportation capabilities of the railway lines, with which there are problems primarily in the winter months.

Moreover, scrap metal contains an immense amount of energy and replaces ore, which we for the most part import. This is in no way a question of inventories that turn over slowly or which are not utilized. Despite all these arguments, however, the maintenance of excessive inventories by a processor of scrap metal is not supported, while it is made possible in the case of fuels, which are the same type of item.

Finally, there is no uniform interpretation of this problem. For instance, at the Kovohu Economic Production Unit VHJ inventories of nonferrous scrap metal are exempt from the regulations.

Would it not be more advantageous to support credits for excess inventories as well as for the scrap metal used in charges, with the objective of speeding up the turnover of the metal stock? After all, this is a raw material that helps to assure future production and which must be factored into assessments of needs for charges for steel mills. For this reason, temporary inventories of scrap metal at processing facilities should be exempted from the regulations governing inventories. Such temporary inventories should be fully covered with credits, even over a year-end period.

In addition to these methodological problems there are also a number of material problems in the area of inventory management. In our enterprise, with its extensive capital stock and ongoing projects in the reconstruction and modernization of the production base, one such problem is maintaining inventories of spare parts for newly constructed facilities. Not only the large amount of spare parts, but also price increases are forcing us to make room for them in other materials entries and by reducing our stocks of work in progress. If in comparison with 1975 our stocks of spare parts have increased in value by Kcs 200 million (20 percent of total material and fuel inventories), then we have had to reduce by still larger amounts the standards for other materials with faster turnover times (alloyed and nonalloyed scrap, alloying additives, etc.) and to search for further possibilities for reducing not only turnover times but also the absolute limits for work in progress.

Norms and Personal Inventories

Standardization is one of the basic mechanisms in our country for reducing inventories. In its first stage in 1979, we verified in detail the standards for all basic raw materials, materials and substrates (roughly 75 percent of total materials inventories). The standards are about 35 percent of the examined material inventory items were strengthened. At present standards are maintained for about 85 percent of material inventory items.

Likewise, we have tightened up the standards for work in progress and for semi-finished goods. The starting point for this were the newly established lengths for production cycles, which had been derived from sets of production procedures that were processed by computer. Inspections of the production cycles for specific product groups indicated, in addition to the presence of underutilized capacity in terms of work in progress and semi-finished goods inventories, that there was room for improvement in organizational and managerial work as well, especially on the part of divisions in charge of technical preparations for production.

Another mechanism that makes a substantial contribution to fulfilling the inventory utilization indicator is the intensification of personal economic incentives. Since 1982 we have been monitoring compliance with inventory targets on a monthly basis. Plant managers and their production representatives, managers of technical production preparation divisions and of inventory divisions have their monthly premiums tied to inventory levels, while other employees have quarterly bonuses tied to the same indicator. In all, 650 technical-economic employees have an economic stake in meeting inventory targets, which amounts to 20 percent of the total enterprise payroll.

On a broader scale, we have continued to implement the sales indicator with the uniformity condition set at the 20th day of the month in question. Sales figures on the 20th day of the month as a percentage of the total monthly quota were increased for some plants in comparison with last year by as much as 9 percent. The introduction of this indicator has helped to a large extent substantially to reduce the third decade's percentage of monthly sales, which in turn has substantially reduced inventory growth during specific months.

Last year, moreover, we announced special personal economic incentives for all plant managers and the managers of divisions for the improvement from 1 year to the next of the effective inventory utilization indicator in comparison with 1982. The bonus can amount to up to 5 percent of their yearly wage.

Classification and Plant Motivation

We are devoting continual attention to the classification of unused inventories. In the past 2 years alone we gave liquidated Kcs 30 million of inventories that were deemed to be useless. Plants which eliminate unnecessary inventories have their cost plans fully adjusted to reflect the impact of the physical liquidation of unnecessary inventories, and our supervisory general directorate even contributes 80 percent of the total cost of the liquidation from its contingency fund.

Measures in regard to work in progress (aimed at increasing turnover to that space may be created for spare parts) are bearing fruit. Finished products had a turnover period of 56.46 days in 1977. This dropped to 45.62 days in 1980 and to 43.34 days 2 years ago.

At the same time the percentage of total production of products made from high-grade steels and rolled products is increasing, that is to say of more sophisticated products with a longer average period. High-grade rolled material accounted for 52.7 percent of total production in 1980, and we expect this percentage to reach 66.3 percent this year.

We devote increased attention to the development of inventories in the enterprise document entitled "Main Principles of Internal Enterprise Management." We have added to it a chapter on the principles of the planning and management of inventories which provides clear guidance to specific internal enterprise divisions on the following methodological and practical issues:

- the existing deadlines for the establishment of planned inventory development for specific sectors and changes in this, including the justifications which could force these plans to change;
- the responsibility of enterprise divisions for the planning and the management of specific types of inventories and of total inventories;
- penalties for failure to adhere to planned volumes or turnover periods for inventories, which consist in the charging of all the interest costs invoiced by the bank to the obligations of the plants which were responsible for the excess costs.

For 1984 we were forced to reevaluate the incentives offered to internal enterprise divisions for the fulfillment of inventory targets in view of the fact that Federal Ministry of Finance Decree No 48/1983, SBORNIK, charges organizations with the responsibility of reserving a portion of working capital to cover inventories created in excess of their planned annual level, even though they may have fulfilled the planned turnover period and exceeded its output targets. For this reason, in 1984 the economic incentives for plants and economic entities are being oriented toward the maintenance of established inventory limits, even though we have so far had an established inventory turnover period for plants with a high sales percentage.

Inventory turnover period will be an auxiliary planning indicator. If we adopt a counter plan with higher targets, then during the stage of plan formulation we will adjust the inventory indicator, integrating it in particular with the financial plan and the plan for the distribution of earnings. We would thereby like to emphasize these interrelationships, so that possible large fluctuations are not noted when it is too late.

In my opinion, if illogical links are not to arise it is essential to consider the specifics not only of individual types of inventory items, but also the characteristics of specific sectors and divisions. Greater authority should be given to VHJ's and bank branches in the evaluation of inventories, so that they can decide which inventory items generate favorable conditions for the effective flow of future production, which ones are a nonessential luxury or the result of poor enterprise work habits. In any event, credits released to cover temporary inventories should be offered at a highly progressive interest rate. Making interest rates progressive would on the one hand be a contribution to the state budget and on the other hand would motivate enterprises to get rid of their temporary inventories.

It should never happen, in my view, that inventory targets be met at the price of curtailing production or reducing the productivity of metallurgical complexes. For the time being, however, this is precisely the approach necessarily chosen by enterprises, because failure to meet inventory targets by 31 December causes problems for the entire enterprise collective that are greater than the advantages that can be gained by, for instance, exceeding production targets. After all, it may not be assumed that production in excess of the plan or orders for the next year can feasibly be delivered, in view of the fact that the consumer may also have established inventory constraints.

9276
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CZECHOSLOVAKIA

FODDER PRODUCTION INSUFFICIENT, CONTROL COMMISSION STATES

Prague HOSPODARSKE NOVINY in Czech 24 Feb 84 pp 8-9

[Article by Engineer Zdenek Helcl, Federal People's Control Commission: "Where To Begin Untangling the String of Failures"]

[Text] Pursuant to the conclusions of the CPCZ Central Committee's 13th session, by its resolution No 276/1980 the federal government's presidium ordered the restructuring of the acreage of fodder crops, in order to increase the quantity of nutrients produced per unit of area. The CSSR People's Control Commission--jointly with the people's control commissions of the CSR, SSR and selected national committees--conducted audits in 72 of the okreses in all krajs of the CSSR to determine how the tasks stemming from this government resolution were being fulfilled, and how the conditions were being created for their realization. In addition, the CSSR People's Control Commission processed and evaluated the 1980-1982 farming results of nearly 2000 agricultural enterprises. As evident from the article, the findings are not favorable.

Not every crop is equally suitable for cultivation under different soil and climatic conditions, and not every crop yields the same feed value or is equally suitable for feeding. To utilize the reserves inherent in optimizing the structure of the bulk-fodder acreage, therefore, the Federal Ministry of Agriculture and Food prepared a concept that the federal government's presidium approved by its resolution No 276 of December 1980.

Opposite Development Anticipated

The resolution called specifically for expanding, at the expense of the other fodder crops, the acreage of perennial forage crops to between 850,000 and 900,000 hectares by 1985, and for stabilizing their long-term share of the total acreage of arable land at 17 or 18 percent. Nonmixed leguminous forage crops (clover and lucerne) were to account for the bulk of this acreage. Row crops were to be grown for fodder on 150,000 to 160,000 hectares long term. On the farms this task was to be implemented through the agricultural administrations. In its preamble to the proposed measures, the Federal Ministry of Agriculture and Food estimated that significant progress could be achieved already in 1985.

In 1981 and 1982, however, the actual development was the opposite, in terms of both the sown and the harvested acreage. In comparison with 1980, in 1982 the harvested acreage of perennial forage crops grown on arable land dropped by 97,000 hectares; the acreage of row crops grown for fodder dropped by 3,100 hectares; but the acreage of annual forage crops increased by 73,600 hectares.

A comparison of the extent to which the approved concept's objectives were fulfilled during this period shows 1982 shortfalls of 24,300 hectares in row crops grown for fodder, and of 159,300 hectares in perennial forage crops. On the other hand, the acreage of annual forage crops (mostly the not very intensive spring mixtures [vetch or peas, with oats, spring barley or corn for support]) increased by 199,100 hectares.

The consequences of this development are obvious. In view of the different feed-value levels of the individual fodder crops, the higher proportion of less intensive crops meant that the farms produced less nutrients than what they would have obtained had they gradually restructured their fodder acreage.

In terms of the 1982 yields this dropout represented a volume which, if used entirely for feed rations, would have permitted a weight gain of roughly 80,000 tons in slaughter cattle. At the same time, the farms could have saved 15,500 hectares of arable land.

While the structure of the bulk-fodder acreage developed unfavorably during the first two years of the 7th Five-Year Plan and in conflict with the approved concept's objectives, there was partial improvement in 1983. But the increases in the area sown to perennial forage crops and of row crops grown for fodder, and the drop in the acreage sown to annual forage crops practically meant only a return to the initial situation that existed in 1980. In other words, the damage caused by the inertia during two years of unfavorable development was corrected, at the cost of considerable effort, in the third year of the five-year plan. However, we were unable to do anything more. And all we can say of the first three years is that the structure of the fodder acreage in Czechoslovakia has not improved.

The perennial forage crops grown on arable land, primarily clover and lucerne, provide valuable nutrients for cattle, at the lowest cost. But the development of their crop ratio shows considerable fluctuations, and also differences between the two republics.

Stabilization of the acreage of perennial forage crops has succeeded only in the CSR. This has been made possible by the favorable conditions for growing clover seed in 1982. Moreover, another good harvest the following year made it possible to stock seed for the future. The policy of the CSR Ministry of Agriculture and Food that the krajs must be self-sufficient in clover seed contributed in no small extent toward the successful production of clover seed.

In the SSR the ratio of perennial forage crops declined; on average for 1981-1983, it was below the 1980 level. The trend of increases in the acreage sown to clover is in accord with this development: the rate of increase in the CSR is nearly double the rate in the SSR.

While there has been an improvement in the acreage sown to clover, expansion of the lucerne acreage has not succeeded, neither in the CSR nor the SSR. To the contrary, the lucerne acreage dropped in both republics in 1980-1983 (by 5,200 hectares in the CSR, and by 8,200 hectares in the SSR).

On the other hand, agriculture's preference for annual forage crops has not diminished. This applies particularly to spring mixtures that yield the least amount of nutrients per hectare but are the most expensive to grow.

Development indicates that the purely economic aspect of growing nutrients in the form of bulk fodder was not the decisive factor for the agricultural enterprises. In their choice of what to grow they were influenced more by the lower labor intensity, the degree of mechanization, the availability of seed, etc.; in other words, by the extent to which conditions beyond farm production's control were ensured.

Row crops grown for fodder, and turnips in particular, yield the most carbohydrates per hectare. In the feed ration they have a favorable dietetic effect, eliminate the excess nitrates in the fodder, etc. And their spoilage rate is low if properly stored.

As evident from the following table, the approved objectives in growing row crops for fodder are not being achieved in agricultural practice.

Harvested Acreage of Row Crops Grown for Fodder (1000 hectares)

| | 1980 <u>report</u> | 1982 <u>report</u> | 1985 <u>target</u> |
|---------------------------|-----------------------|-----------------------|-----------------------|
| Czech Socialist Republic | 19.6 | 14.2 | 60 |
| Slovak Socialist Republic | 7.0 | 9.3 | 19 |

In 1983, the acreage of row crops grown for fodder increased to 20,200 hectares in the CSR, and to 11,400 hectares in the SSR. However, this improvement does not provide the prerequisites for a significant increase in the production of these crops in 1985 or long term.

Short-Sighted Approach of Agricultural Administrations

This unflattering result in fulfilling the targets for intensifying the production of bulk fodder has its reasons. The decisive shortcoming, in our opinion, is failure to ensure the material conditions essential to fulfilling the tasks in farm production. Two key areas can be mentioned: the shortage of lucerne and turnip seeds, and the lack of machinery for harvesting turnips.

Resolution No 276/1980 of the federal government's presidium instructed the CSR and SSR Ministries of Agriculture and Food to ensure the organizational and economic conditions for expanding significantly the production of clover and lucerne seed; and at the seed-producing enterprises, among other things, to ensure the proper fulfillment of the targets through changes in the structures of production and marketing. This task, however, has not been fulfilled satisfactorily.

Thanks to exceptionally favorable weather, clover-seed production in 1982 and 1983 increased to such an extent that it was possible to seed clover acreages corresponding to the targets set by the government. Lucerne-seed production, however, was not enough to supply the demand.

The main reason for the shortage of lucerne seed is that the agricultural administrations--instead of creating conditions for the concentration of seed production at selected seed reproducers, by modifying the latter's other targets in crop production and livestock production--chose the more convenient solution of fragmenting seed production among many seed reproducers, each with a small acreage of seed lucerne, because this way practically no modification of the production plan was necessary.

This small-scale mode of production does not affect the bottom line of the seed reproducers and eliminates also the influence of the surcharges to the procurement prices of seed. Seed reproducers thus have little incentive to grow seed, are more interested in other cash crops, do not devote the necessary attention to the cultivation of their seed crops, are reluctant to conclude contracts with the enterprises of the Osiva and Slovosivo VHJ's [economic production units], and do not fulfill the contracts that they do conclude.

As a result, the intensity and overall volume of lucerne-seed production have declined in the regions with favorable soil and climatic conditions, disrupting the established zoning of farm production. At the same time, these shortcomings create unfavorable conditions for ensuring contractual procurement, and in the final outcome extensive seed production is wasteful of farmland. This is confirmed by a number of findings. Of the 25 selected reproducers of lucerne seed in North Bohemia Kraj, for example, only seven harvested the targeted seed acreage; the plan called for a total acreage of 4,960 hectares, but contracts were concluded for only 1 3,345 hectares. In South Moravia Kraj the shortfall in the harvested acreage was 1,740 hectares in 1982, and only nine of the 33 seed reproducers harvested their targeted acreage. Of the 15 agricultural enterprises that were to grow seed in Trebisov Okres, only seven actually produced seed.

The agricultural enterprises show a lack of discipline in supplier-customer relations also when more seed is produced than is delivered to the enterprises of the Osiva and Slovosivo VHJ's on the basis of the contracts concluded with them. Instead of enforcing contractual discipline and thus helping to ensure the supply of seed, the agricultural administrations often cover up the shortcomings in the work of the seed-reproducing agricultural enterprises, by certifying crop failures or other natural disasters.

For example, the Slovosivo VHJ supplied the agricultural enterprises only 400 to 600 tons of lucerne seed as compared with their average annual demand of about 1,300 tons, and state procurement each year is 40 to 70 percent less than the reported output. Merely in West Slovakia Kraj the production of clover seed was 1,458 tons in 1982, but deliveries for state procurement totaled only 742 tons.

The fact that the Osiva and Slovosivo VHJ's do not buy from the seed reproducers all the lucerne seed produced (after leaving the farms enough for their own

needs) leads to the uncontrolled sale of the seed on the black market, in conflict with the provisions of Section 15 of Law No 61/1964 Sb On the Development of Crop Production, and to the spreading of weeds (dodder) through the use of nonwinnowed seed.

In 1982, for example, seed reproducers in West Slovakia Kraj sold more than 210 tons of lucerne seed to the CSR, including 150 tons from Nove Zamky Okres alone (the Bardonovo JZD [Unified Agricultural Cooperative], 15 tons; Dolny Ohaj JZD, 17 tons; Hul JZD, 33 tons; Surany JZD, 23 tons; Tvrdosovce JZD, 30 tons), and 22 tons from Levice Okres. In the same way more than 146 tons of clover seed was sold, including 131 tons from Levice Okres. We uncovered similar cases also in 1983.

Illegal sales of seed provide unfair profit for the agricultural enterprises that reproduce the seed, in view of the fact that the price of lucerne seed on the so-called black market is between 230,000 and 250,000 korunas [per ton], whereas its procurement price has been set at 117,000 korunas. But the agricultural enterprises that reproduce seed also frequently barter the seed for products that are in short supply (pesticides, chemicals, spare parts, construction materials, feed, etc.).

Wasteful use of seed, due to failure to observe the optimal seeding density, worsens the shortage of lucerne seed, and upsets even the balance of clover seed. On the seed drills currently supplied, adjustment for precision drilling is very demanding and difficult to make in practice. The resulting seed losses exceed the norm in some instances by as much as 100 percent.

For example, nine of the 20 audited agricultural enterprises exceeded the seeding norm by 43.2 percent on average in 1982, using 2.96 tons more lucerne seed than was necessary. Worth roughly 350,000 korunas, this additional seed would have been sufficient to seed as much as 180 hectares.

The mentioned shortcomings result not only in a dropout of lucerne production for forage, but also in undesirable import. To supply the most urgent demand, for example, the Oseva VHJ imported 113 tons of lucerne seed from capitalist countries in 1981; and 403 tons from capitalist countries and 20 tons from socialist countries in 1982.

There are shortcomings also in supplying turnip seed. Unlike in the case of producing clover and lucerne seed, moreover, here an obstacle to faster production concentration is also the high manual-labor intensity, because the necessary mechanization is not ensured. This applies particularly to small-series deliveries of transplanters, sorting lines for seedlings, and seedling lifters. The Ministry of Agriculture and Food has not ensured the supply of such equipment by the general engineering industry or its production within the agriculture and food-industry branch.

One cause of this situation can be identified already in the unclarified concepts of agricultural research. The Research Institute of Agricultural Engineering (Vyzkumny ustav zemedelske techniky) did not consider this technology, justifying its decision by the changeover of both research and practice to the method of direct seeding, for which such machinery is not required. But the

Beet Research and Breeding Institute in Semcice considers this method risky and is therefore investigating the production of turnip seed by the traditional method, which requires such machinery.

The fragmentation of seed production among a number of seed-reproducing farms, failure to grow seed in the specified zones and, last but not least, the absence of farm machinery result in that the seed developed by plant breeders is not reproduced by the agricultural enterprises at an attainable ratio of 1:3 (or even at a ratio of 1:4 in the past), but merely at a ratio of 1:1 to 1:1.5. In practice this means that the seed-reproducing farms harvest seed from only about a third of the area on which they grow the seedlings.

Although the republic Ministries of Agriculture and Food instructed the Oseva and Slovosivo VHJ's to ensure the necessary supply of fodder seeds, they have failed to create conditions enabling the VHJ's to assume full responsibility for seed production, as specified in the federal government's resolution. The production of turnip seed, and of lucerne seed as well, on the basis of supply contracts that the enterprises of the Oseva and Slovosivo VHJ's conclude with agricultural enterprises splits responsibility for seed production between the two partners. The agricultural administrations' ineffective managing activity does not compel the agricultural enterprises to honor their contractual obligations and even supports this lack of responsibility.

Engineering Research Not Involved

The federal government also instructed the Federal Ministry of Agriculture and Food to complete by 1984--in cooperation with the republic Ministries of Agriculture and Food, the Federal Ministry of Technological and Investment Development, and the Federal Ministry of General Engineering--the solution of the large-scale technology of harvesting and storing row crops grown for fodder, keeping losses at a minimum and including also the related technologies and equipment, so that long term the acreage on which such row crops were grown would reach 150,000 to 160,000 hectares, depending on the equipment of the agricultural enterprises.

The technology of storing turnips has been solved successfully. Simultaneously the Ministries of Agriculture and Food tested the technology of cleaning and slicing turnips and decided to introduce, on the basis of a Danish licence, the production of a slicer within the Machine Tractor Stations and Farm Machinery Repair Shops VHJ. Fulfillment of these tasks, however, was not reflected in the increased production of row crops for fodder, because machinery for their harvesting was not ensured.

The explanation of this situation is that the agriculture and food-industry branch made incomplete and one-sided efforts to provide the harvesting technology as the limiting factor in the production of turnips. These efforts were based almost exclusively on the two-row harvester of domestic design that the general engineering industry refused to include in its production program. After the unsuccessful negotiations, therefore, the agriculture and food-industry branch took over in 1980 the development and production of this harvester (assigning it to the Machine Tractor Stations and Farm Machinery Repair Shops VHJ), but it lacked the prerequisites for the quick and successful realization

of this task. At the same time, the competent Research Institute of Farm Machinery (Vyzkumny ustav zemedelskych stroju), which belongs under the Ministry of General Engineering, was not involved in this work.

The findings of our audits are in agreement with the criticism that the 8th session of the CPCZ Central Committee heard regarding the management of research. The system of assigning research tasks that usually do not constitute an integral R & D project through the phase of the machine's series production fully manifested itself also in the case of the mentioned harvester. This had an unfavorable effect on the decisions regarding the technology for harvesting turnips.

The conclusions of the oponentura proceedings at the institutes where the harvester's R & D was being solved, already from 1974 on, established that the machine's operating principle was successful and deserved further design work. But the oponentura proceedings were based on the research reports and evaluated the harvester's operation only to the extent of the research assignment, i.e., of the partial phases of development.

Important facts concerning, for example, the machine's actual reliability under average operating conditions, or the demanding nature of the design modifications within the time limit for the commencement of series production, etc., were not investigated.

In formulating their concepts and making their decisions, responsible officials of the ministries concerned thus had to rely on documents whose information content was limited. At the same time, favorable assessment of a partial R & D phase created the impression that it would be easy to continue with R & D up to series production, and it influenced assessment of the situation accordingly.

The result of developing an intricate machine without the necessary conditions and experience, and on the basis of piecemeal research, was that in its trial operation during the 1982 harvest the machine failed. The State Testing Station for Farm, Food-Industry and Forestry Machinery found the harvester's transverse stability inadequate and listed 15 other serious shortcomings, some of which would have required design modifications. In 1983, therefore, the Machine Tractor Stations and Farm Machinery Repair Shops VHJ of Vinor halted development of the harvester. A grave consequence of the mentioned procedure was that the feasibility of using another harvester was not tested in time.

Commission's 'Undisputed' Material

When drafting its technical policy plan, the agriculture and food-industry branch again failed to ensure the conditions for expanding the production of turnips, through a system of machines for the complete mechanization of agriculture that was a commission from society for the general engineering industry.

The two-row harvester developed domestically was proposed as the dominant machine for the technology of harvesting turnips under the 6th and 7th Five-Year Plans. In view of the machine's unfinished development and the minimum amount of time necessary for the startup of its series production, however, the demand

included in the list of the system of machines could not be met, which was in conflict with the requirements of the Federal Ministry of Agriculture and Food regarding the level of the list's elaboration.

Other established shortcomings include the following:

--The demand for a machine did not specify its control and operation under different conditions (for example, slopes, concentration of the acreage, organization of operations, etc.);

--The capacity of the harvester on the list differed from the capacity of the developed machine by as much as 100 percent, which of course makes a considerable difference in financing from the limit made available for machinery investments;

--A departure from large-scale technology was proposed through 1995. While the modified three-row sugar-beet harvester was to be used as a substitute for about 23 percent of the turnip acreage in 1990, the concept expected to use it to harvest 33 percent of the acreage in 1995, etc.

Even the Commission of Experts on the System of Machines failed to eliminate the shortcomings. In May of 1983 it established that the modified system of machines was feasible and did not contain any unclarified questions. Instead of the Machine Tractor Stations and Farm Machinery Repair Shops VHJ as the turnip harvester's original manufacturer, the commission gave the Federal Ministry of General Engineering as the harvester's manufacturer, but without any negotiations with the general engineering branch to this effect, and without verifying whether the conceptual solution was realistic. The commission of experts submitted the material as undisputed to the Federal Ministry of Agriculture and Food.

Because the system of machines is unrealistic, inaccurate, not specific enough and is founded on subjective estimates, it could not serve as the basis of the technical policy plan and did not ensure fulfillment of the tasks that the federal government's presidium set for developing the production of turnips.

Considerable Differences in Daily Weight Gain of Cattle

The purpose of intensifying the production of bulk fodder was to increase with it the yields in cattle production--i.e., the average milk yield per cow, and the average daily weight gain per head--and to substitute domestic bulk fodder for imported feed grain in the rations. In accordance with the changes in the structure of fodder production, therefore, the federal government's presidium ordered achieving already by the end of the 7th Five-Year Plan a favorable composition of the feed rations so that the basic cattle yields--6 liters of milk per cow (for the CSR the CSR government raised this target to 7 liters), and a daily weight gain of 0.5 to 0.6 kg per head for beef cattle and calves--may be attained primarily on bulk fodder.

Because of the time gap between ensilaging bulk fodder and feeding it, it is difficult to determine within a single calendar year the relationship between fodder production and cattle yields. The present method of calculating cattle

yields due solely to bulk fodder (after deducting the effect of feed grain) is unable to determine with complete accuracy the absolute weight gain or milk yield. In spite of this, a time series will show objectively in which direction the yields on bulk fodder are developing. In the audit we took as the basis the quantity of fodder (including the proportion of straw) that approximately 2000 agricultural enterprises fed to their cattle during the given calendar year, and we processed on computers the data for the period 1980-1982.

The results of the audit showed that the targets set by the government for the first two years of the 7th Five-Year Plan were not attained, and that the daily weight gain per head of cattle on bulk fodder declined. In 1982, the shortfall in the even fulfillment of the target was 30 grams of weight gain per day and head on bulk fodder in the CSR, and 40 grams in the SSR. For the entire CSSR this meant a shortfall of 35,000 tons of slaughter cattle.

In the CSSR the share of bulk fodder in the daily weight gain of cattle on complete rations (i.e., bulk fodder plus feed grain) rose from 70.1 percent in 1980 to 73.7 percent in 1982. Although this reduced the consumption of feed grain per kilogram of weight gain, bulk fodder did not make up entirely for the difference in consumption. The total average daily weight gain per head of cattle on complete rations dropped by 0.05 kg in 1982 over 1980. Nonfulfillment of the task to increase the weight gain on bulk fodder accounted for 60 percent of this decline in the CSR, and for 80 percent in the SSR. The remainder of the decline can be attributed to a sharper reduction of feed grain in the rations than what the gradual replacement of feed grain with bulk fodder would have required. At the same time, the possibilities of increasing cattle yields on bulk fodder and of achieving a turnaround in the extensiveness of cattle production were greater than what the unfulfilled targets specified. This is evident from the differences not only between the two republics but also among the krajs, okreses, and agricultural enterprises. In the CSR in 1982, for example, solely on bulk fodder the average daily weight gains were lower than 0.3 kg per head at 4.5 percent of the agricultural enterprises, as compared with 13.8 percent of the agricultural enterprises in the SSR. On the other hand, 10 percent of the agricultural enterprises in the SSR and 6 percent in the CSR had average daily weight gains of more than 0.5 kg per head.

But the most convincing argument is the sharp rise in yields in 1983. During the first half of 1983, in comparison with the same period in 1982, the average daily milk yield per cow rose by 1 liter; and the average daily weight gain per head of beef cattle, by 80 grams. At the same time, consumption of feed grain per unit of output did not rise, and the gains can be attributed entirely to bulk fodder.

Thus it has been demonstrated in practice that bulk fodder, or the quantity of dry matter and nutrients contained in it, is a substantial reserve that has not been fully utilized as yet. But less pleasant is the fact that this proof has been provided by nature itself, rather than by the controlled process of intensifying the production and feeding of bulk fodder.

For the results can be attributed primarily to the favorable weather conditions in the first half of 1982 (silage corn) and at the beginning of 1983, and thus they do not represent a basic and sustained turnaround. Nor should they be

overestimated, because the growing of intensive crops did not influence them decisively. Even better results could have been achieved if the specified structural changes had been carried out.

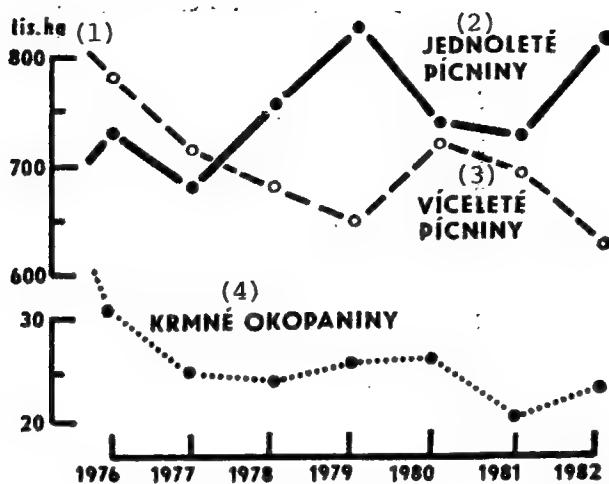


Figure 1. Development of the harvested acreage in the CSSR in 1976-1982.

Key:

| | |
|------------------------|-------------------------------|
| 1. Thousand hectares | 3. Perennial forage crops |
| 2. Annual forage crops | 4. Row crops grown for fodder |

The shortcomings found in the structure of the fodder-crop acreage influence not only the amount of nutrients per unit of area, but also the nutrient composition of the feed rations. As a result, there is more overfeeding, which is defined as the difference between the actual consumption and the amount of feed and fodder necessary for the obtained cattle yields.

Okres Centers Practically Without Influence

By processing the 1980-1982 data of roughly 2000 agricultural enterprises we established that the loss due to overfeeding is 20 percent on average, with considerable variations by krajs: from 15.6 percent in Central Bohemia Kraj to 27.5 percent in North Moravia and East Slovakia Krajs. The highest percentage of overfeeding was found in the regions with the most feed and fodder for cattle rations, where the agricultural enterprises are making the least effort to manage their feed and fodder more efficiently.

The loss due to overfeeding is the complex of the losses in handling, manger losses, losses caused by environmental effects, the care for the animals, etc., but it includes also the loss caused by the imbalance and varying composition of the nutrients in the feed rations, expressed as the nutritive ratio or the ratio of digestible protein to the digestible fats and carbohydrates. Although this is not a dogma, the nutritive ratio should optimally be 1:6. We found that in Czechoslovakia the annual nutritive ratio agreed with this optimum, but the actual nutritive ratio differed by seasons, weeks and days, when the agricultural enterprises fed the crop that happened to be available.

At the same time, for example, the production efficiency of a ration consisting entirely of corn silage is roughly 3.2 liters of milk, while a ration of corn silage and lucerne hay is able to increase the milk yield to 6.4 liters. By adding turnips and a silage of sliced turnips to the ration, the daily milk yield can be increased to 8.8 liters. The audits found nutritive ratios that ranged from 1:3.2 to 1:13, with an impact on yields. The annual nutritive ratio in Senica Okres in 1982, for example, was 1:13 in beef production; but in the Muzla JZD, Nove Zamky Okres, it was only 1:3.16.

We found differences also in the nutritive ratios of the produced and fed bulk fodder; with some exceptions, these differences tended toward a lower proportion of digestible fats and carbohydrates. In seven of the audited okreses the nutritive ratio of the fed bulk fodder shrank, with the proportion of digestible fats and carbohydrates declining in relation to the digestible proteins by 13.1 percent on average in beef production, and by 17.9 percent in the case of dairy cows. In their plan for the production of fodder crops, however, the agricultural enterprises usually do not take into consideration the effect that losses have on the rations' nutritive balance, and overfeeding is therefore intensifying.

In the okreses the establishment of centers for the managed feeding of cattle was intended to help utilize the reserves in the production and consumption of bulk fodder. With few exceptions--in Kromeriz and Usti nad Orlici Okreses, for example--the centers' influence has not been evident so far. Their function is not only to optimize the feed rations, but also to professionally determine and assert the requirements for the agricultural enterprises' crop production in terms of the species and volumes of fodder crops to be grown for the needs of livestock production. Construction of the centers, however, is proceeding slowly, particularly in the SSR. Often the centers are understaffed and are not performing the entire scope of work that the ministries assigned them. The agricultural administrations are not making adequate use of the centers' work. They are treating the centers as a service that optimizes the feed rations for the agricultural enterprises from what the enterprises have already produced, rather than as an auxiliary apparatus for managing the intensification of the production and use of bulk fodder in the okres.

The causes of the mentioned shortcomings can be summed up the most succinctly as failure to ensure the conditions for the realization of the measures adopted by the higher levels of management. This makes it impossible for the higher levels of management to be exacting toward the lower levels and to call them to account for not fulfilling the set tasks. This leads to where the higher levels of management are making concessions regarding the set tasks, and lack of discipline and disorder prevail along the entire axis of management.

In implementing the results of the audit, therefore, emphasis has been placed specifically on this area. On the basis of the CSSR People's Control Commission's resolution, the federal minister of agriculture and food has introduced measures whose fulfillment should remove the obstacles to ensuring the conditions for the gradual restructuring of the production of fodder crops.

The decisive tasks include the creation of conditions in 1984 at the Oseva and Slovosivo VHJ's--in cooperation with the CSR and SSR Ministries of Agriculture

and Food--for producing lucerne and turnip seed with their own resources, efficiently utilizing the farmland of selected agricultural enterprises. Furthermore, the Federal Ministry of Agriculture and Food--in cooperation with the State Commission for Scientific, Technical and Investment Development and with the Federal Ministry of General Engineering--adopted a task to prepare, and as of 1985 to implement, the assignment of farm-machinery research tasks in such a way that cooperation between the Research Institute of Agricultural Engineering (under the Federal Ministry of Agriculture and Food) and the Research Institute of Farm Machinery (under the Federal Ministry of General Engineering) will be ensured through a single common task in the state plan for the development of science and technology. The objective is that research lead to the series production of machinery.

The CSSR People's Control Commission will maintain a running check on how these and the other adopted tasks are fulfilled.

1014
CSO: 2400/282

FORESTERS CONCERNED WITH CULTIVATION, FIGHT AGAINST PESTS

Prague RUDE PRAVO in Czech 2 Feb 84 p 5

[Text] The foresters of the CSR have entered the fourth year of the Seventh 5-year plan with a resolution to devote still more attention than heretofore to everything that ensures the development of the wealth of our forests. For this reason in all their assignments they place great emphasis upon cultivation, both in regard to the quantity and the quality of the work that they undertake. At the same time, they are determined to decrease the losses in forest cultivation by paying more careful attention to plants, especially the young ones, and by more consistently safeguarding against pests.

"The continually growing volume of cultivated goods--the products of the forest--comes from our efforts to suppress as much as possible the negative influences of progress, especially of industrial emissions, on the forest and its production," said Frantisek Kalina, minister of forestry and water management of the CSR in a recent interview with the press. "In connection with this, therefore, we are intensifying afforestation and the production of seedlings. Last year workers engaged in forest enterprises in the CSR afforested more than 28,000 hectares and grew more than 186 million seedlings. This year at least 28,500 hectares should be afforested and nurseries should produce roughly 200 million high quality seedlings."

In order for the young plants to truly benefit it is not enough merely to plant them, and certainly not in unprepared soil. An important part of the foresters' efforts to broaden and consolidate the material base of the forest therefore also involves care of the soil. Above all in regions where emissions and acid rains fall they are concerned with fertilizing, calcifying and not infrequently with drainage and other methods of improving their work. The realization of these plans means for the foresters much care in seeing to it that a desirable amount of fertilizer is available at the beginning and the requisite applied technology at the end. For this reason, too, the ministry of forestry and water management is trying hard to increase the number of Slovair planes, for the only really practical way of spraying fertilizer and lime is from the air.

This year the foresters are not only concerned with eliminating the negative effects of industrial emissions, but also with the damage caused by insect pests. "We have proved that we can dispose of the larch moth, the sawfly and

the geometer Operophters," stated Comrade Frantisek Kalina. "Last year, however, under the influence of the dry weather other harmful pests have increased, namely beetles. We are threatened most of all by spruce bark beetles; their augmentation presents us with an arduous task--at the end of the winter, and no later than April, before the swarming begins, we must destroy the fallen trees and treat and sanitize the wood that is suitable for these beetles. We know too that the spruce bark beetle is a secondary pest, it attacks plants that have already been damaged in some way. The scent of a tree that is drying up attracts it. When favorable conditions for its increase are present--warmth and moisture--the swarming will begin, that is, in April. This puts the forest in jeopardy, because the swarming assumes gigantic proportions. Last year, for example, as many as 3.5 generations were produced. For this reason we will literally be observing the progress of our work day by day. If we do not manage promptly and in a timely manner to treat those roughly 1.5 million cubic meters of wood and intercept the swarming in good time, it will be disastrous."

From what has been said so far it would seem that the foresters through the party are somehow setting tasks which arise for them from the needs of the national economy, especially the demands for the supplying of wood. And these are not small demands; indeed, during the course of this 5-year plan 58.5 million cubic meters of wood are expected to be taken from the forests of the CSR. As the results have shown up until now, the foresters are also fulfilling this task successfully. In the first 2 years they supplied 24.3 million cubic meters of wood to the national economy, and last year 11.8 million cubic meters, which means that for 3 years they have been ahead in their output.

According to the words of the minister, however, they had not anticipated that they would exceed the overall production goals for this 5-year period. Namely, the planned amount sufficiently provides for all needs. However, the foresters are devoting greater attention to making more rational use of the wood that has been cut down. This year and next they will try to reduce needless waste, to that the wood processing industry and the paper mills can utilize also that which until now has remained in the forest after the woodcutting.

"We are concerned with the often criticized disorder, which for the time being still exists in our forests," says Frantisek Kalina. "We are aiming at ensuring that the technology which will process that wood, too, will do it so as to upgrade it in a more suitable way. We have calculated that it can provide 400,000 to 800,000 cubic meters yearly. We will supply it in the form of wood chips, which we have managed to put through as an assortment. Other problems must be solved, too; it will be of particular importance to persuade the paper mills to accept such supplies. In the interest of our forests and their future this is one of the paths that can in the years to come lead to a lowering of the volume of production, without jeopardizing the needs of the national economy."

Thus we see that the people responsible for our greatest natural resource are faced with a number of difficult tasks, and they are already setting out at full speed to perform them.

MOVEMENT OF CAPITAL, BANKING SYSTEM DISCUSSED

Budapest FIGYELO in Hungarian No 11, 15 Mar 84 p 3

[Text] In the framework of a lecture series on the further development of the economic guidance system, organized by eight KISZ, Dr Laszlo Body, executive director of the MNB [Hungarian National Bank] gave a lecture on the proposals to modernize the capital allocation mechanism and the banking system.

In his introduction he stressed that the economic guidance system must be developed further in such a manner as to produce as little shock as possible. However, the necessary caution could not justify the view--often represented in debates--that, in the midst of the current, difficult economic circumstances, a sweeping reform would be very risky because of its incalculable consequences. On the contrary, a broad-range progress must be made precisely in the interest of a lasting improvement in economic balance and effectiveness. Those engaged in the modernization of the economic guidance system often raise the question of the proper sequence of the individual steps. According to the speaker--because the individual units of economic guidance and regulation are connected with each other and are interrelated--the matured measures must be introduced optimally in every area. But the formation of a dual-level banking system must be preceded by other changes: improvement of the goods and monetary conditions, development and reinforcement of a financial interest on the part of the enterprises, and the modernization of independent enterprisal management and of wage and income regulation.

Liens--Several Kinds of Securities

A more effective flow of capital requires suitable means, forms and institutions, and naturally also free capital. The change demands the following:

A decrease in the direct circulation of state capital and a growth in the role of the credit sector.

Increasing the enterprises' inclination for saving (by means of financial stakes, stimulating interest rates on savings, developmental funds not earmarked by the government, and commercial-type lending).

The recommended methods already have functioning elements but new ones are also necessary. The withdrawal of capital can also be assured through the amortization system if the value of the liened asset is not covered by the price.

Conditions must also be provided for creditors to secure liens. The MNB does have such rights, but does not apply them, although it is generally known that there is much extension of credit and standing in line. Namely, there are no institutional conditions for the use of such means: There is no business establishment which would participate in the mobilization of the "frozen" assets.

The new enterprise forms, or rather, easing further the constraints on profit can also promote the flow of capital.

Among securities, bonds, as a temporary source of capital with fixed interest, proved to be useful in the domestic practice. The success of the bonds issued so far is largely due to the fact that their purchase was mostly connected with some natural advantage (that is, they were not bought primarily because of the interest). In the future, enterprisal financial assets could be involved in the financing of part of the state investments by means of state investment bonds and thereby the bank could also receive additional capital. The investment savings company, obligated to pay only interest, could be a suitable form for investing part of the savings of both the population and the enterprises.

To make it more attractive, one should employ the issuance of flexible interest bonds--in use, for a long time, in the West--and a better organized circulation of the bonds must also be promoted.

Today it is very difficult to raise the base capital, or to transfer the capital disposition rights. This could be helped by stocks as the security embodying ownership rights, or by creating the legal possibilities for a company of shareholders, the legal conditions for which exist today. Stocks could be a suitable form for capital flow, for the permanent increase in enterprisal base capital or also for the establishment of a new enterprise. These raise the necessity for a security market. Initially, the existing banks could deal with the organization of the issue and with marketing but with time it certainly will become necessary to establish a centralized capital market (securities market). The shareholder company form could mean not only a more flexible but also a more democratic solution to production organization. This is also demonstrated by the experiences of a two-fold enterprisal management (council of directors and operative management), already a characteristic feature in economic associations.

In international trade, commercial credit (commodity credit) is a generally used form for a temporary transfer of capital the new form of which can be introduced in 1984. In response to it, they would also pay greater attention to the finances in enterprisal relations. (For instance, it would be in the interest of the supplier to promote the sale of his goods by extending commercial credit.) The advantages of commercial credit can be realized if either of the following is introduced: commercial drafts (a paper expressing the acknowledgement of the obligation to pay by the deadline), or discounting and rediscounting. Through discounting, the financial institution can have an influence on the commercial activities of enterprises while through rediscounting and its interests the issuing bank can influence the flow of credit.

Among the forms of capital withdrawal abroad, the import of moneylender's capital (assumption of a loan) continues to be the task of the MNB. Effective capital import is still slight today. The reason--apart from the late liberalization--is that, in spite of the legal possibilities, it is difficult to find the common economic interest.

Dual Level--First at the MNB

With respect to further advancement of the banking system, the speaker emphasized that he supports the idea of a rationally organized, dual-level banking system but that it is wrong to shoot ahead in restructuring the banking organization. The bank is still burdened by numerous directive elements, and restructuring is a complex, time consuming task. We do not yet have experience with the functioning of the socialist dual-level banking system (or rather, they have not as yet adequately analyzed, for instance, what role the Yugoslavian decentralized banking system has in the inflation there).

There is agreement that the present banking organization is also in need of further development, that the function of the central bank must be strengthened while, among the credit bank activities, independence and the business character must be enhanced. This represents the gradual attainment of dual level within the MNB. In addition, a greater role can be given to banking institutions and to developmental funds outside of the MNB.

Thus the direction of the transformation would be to let the main financing departments act as quasi-independent institutions. These as well as other banking institutions and funds would be guided by the central bank by means of the monetary policy.

It is a realistic requirement that the enterprises should be able to turn to several "windows" with their request for developmental loans, but the speaker did not find it realistic that the restrictions on account keeping and short-term lending would be rescinded at this time. Today, if the individual branches of the national economy, the savings and loan holdings are different while the lending and account keeping organization is given and, therefore, the lifting of restrictions on the branches can only be done gradually. The bank must also be freed from its official functions (for instance, regulating the purchasing power by modification of the rate of credit installments, controlling inventory management in the interest of the freeing of operational funds.

The Role of Banking Institutions

In the interest of a gradual transformation, in the framework of the MNB, they are establishing a few "daughter banks" without profile restrictions, based on the Entrepreneurial Fund and on the still profile-unrestricted Institute of Budapest. They are establishing independent business interests for the individual lending bank organs. Among the banks, a "quasi money market" could also be established with interest competition based on a limited difference in interests. The speaker's view is that decisions about making the MNB a completely dual-level institution can only be made on the basis of experiences gained during the transition period.

The organization of the State Development Bank should best be separated into a state development institute (which would finance state investments subject to the non-profit yielding requirements) and into business banks taking care of the income-oriented state capital allotments.

The activities of the OTP [National Savings Bank] should also emphasize more the business character (for instance, by increasing lending to small enterprises). By expanding the activities of saving cooperatives, the desirable competitive situation could be achieved in banking services to the population. The banking character should also be strengthened in the use of joint funds from various cooperatives, and the possibilities of transferring these to banking institutions can also be provided. The role of other banking institutions and funds could also be enhanced by establishing new ones and by increasing their capital.

Those furnishing the suggestions, including the leaders of the bank, are not guided by prestige when they stand for retaining the advantages of a centralized banking system (for instance, the analytical advantages of the unified money circulatory system, or the technical advantages of the central data processing by computers), and they warn against certain illusions and impatience.

During the debate following the lecture, it was stressed by several people that today the key problem is not the distribution of capital increases but the redistribution of the existing capital. For this reason it is important to formulate the proceedings for bankruptcy and to promulgate leasing in the country.

There are debates questioning why precisely the transformation of the banking system should be the last step in the further development of the guidance system, and why the other steps are preconditions for its accomplishment. According to some commentators, it is precisely the transformation of the institutional system which would be accompanied by lesser risks.

They do not think that the functioning of a limited dual-level banking system can lead to realistic experiences with regard to the functional effectiveness of a real dual-level banking system.

With respect to the importation of working capital, the commentators expressed the view that the present legal framework is not satisfactory in all respects. It would also be worthwhile to examine whether some of the individual enterprises in difficult financial position may be made competitive in the form of a mixed enterprise with foreign capital interests.

2473

CSO: 2500/271

REFORM TASK FORCE SURVEYS PLIGHT OF CONSUMER GOODS INDUSTRIES

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 4 Mar 84 p 3

[Article by Grazyna Smulska: "Market Reform; These Proposals Have Already Passed"]

[Excerpts] A buyer's marketplace, competition, a pro-market orientation-- these are still slogans and ideas which we know only in theory. Has the market reform which was to have led to the realization of their essence not proven itself?

The conference which took place on 21 February at the Office of the Council of Ministers, with the participation of members of Task Force Four of the Commission for Economic Reform, representatives of the MHWiU [Ministry of Domestic Trade and Services] and other interested parties, was devoted to an appraisal of the status and prospects for initiating economic reforms in the area of the domestic marketplace. Professor Zdzislaw Sadowski chaired the meeting.

A kind of summary, both of the meeting itself as well as its subject, was made by delegate Olga Rewinska, who said that in the presented material there are no new proposals in relation to what was said and written in May of last year at the meeting of the Commission for Domestic Trade, Small-scale Manufacturing and Services, which evaluated the reform of the market in 1982.

The opinion, expressed in writing, of Task Force Four for the Organization and Performance of the Consumer Goods Marketplace: the unsatisfactory progress of the implementation of reforms in the domestic market area results as much from the imperfections of its mechanisms as from the economic policies adopted and realized on their basis. This is a contradictory and inconsistent policy. It is conducted without full reciprocal coordination by the many decisionmaking centers whose jurisdictions have not been sufficiently specified and delineated. The pressure of the current socioeconomic situation has resulted in the mechanisms of the reform being "helped out" by the instrumentalities of the command-directive system. As a result, it leads to a slowing-down of the process of reforming the economy and perpetuating the public's lack of faith in the success of the reforms.

Since this opinion is not precise enough in identifying at what point progress of market reform has been held up, it would be a good idea to elaborate

upon it by citing the statement by Prof Tadeus Sztucki who said, among other things, that only some elements of the economic reform program are operative in the consumer goods and retail trade sphere. However, these are third- and fourth-class elements. There are more provisional arrangements than these basic and lasting ones, and the former are clearly preferred by decisionmaking centers.

Prof Martin Struzycki, director of Task Force Four, has noted that it is difficult to speak of competition, rationalization, efficiency, in a situation where the role of directives and bans is so great. One might assume that this results from a certain necessity, but it cannot be denied that it is also connected with great convenience. The easiest thing would be to keep the economy "under tight reins," as the vice mayor of Lodz, Jerzy Lapinski--who used that expression in discussion--would have it. But what would the marketplace get out of this? This was something he kept to himself.

In evaluating programs aimed at stimulating the growth of consumer goods production, Task Force Four found that they do not bring about the desired results, and explaining this state of affairs by citing shortages of production factors is not convincing in a situation marked by the inappropriate (excessive, irrational) harnessing of these factors. "Practically speaking, programs for stimulating consumer goods production of the required social structure, size and quality are not working as a coherent system. An especially questionable feature of these programs is the proliferation of preferential solutions, which because of their scope cease to fulfill their preferential function, while at the same time they tend to have a sort of destabilizing effect on the system's institutional foundations."

Last year, ad hoc administrative decisions were made, among others, Resolution No 88/83 of the Council of Ministers dealing with laying the groundwork for the growth of consumer goods production. These kinds of decisions, however, have only a limited scope and they cannot take the place of institutionalized practices and instrumentalities.

In evaluating the targets set by the Central Annual Plan for 1984, the Task Force expressed the view that the majority of market problems and difficulties which were not dealt with in previous years are going to be in evidence now, too. This is all the more so since established institutionalized practices do not give any special preferential treatment to consumer goods industries. For example, of the 111 products covered by government orders only 29 are for consumer goods, 6 of which were so covered on the condition that firms would have to finance foreign currency outlays by drawing on their own funds or funds controlled by the MHZ [Ministry of Foreign Trade]. Consumer goods industries are also poorly represented in the list of trades for whom was established a factor of 0.65 used to adjust for pay raises exempt from PFAZ tax liabilities, and in the list of trades which were completely or partially exempted from capital depreciation tax changes.

A fundamental problem whose solution could lead to the attainment of visible progress in the reform of the domestic market are, in the judgment of the group, structural changes in the economy. At the same time, if the pace of

the changes matches that of 1982-1983, the matter is lost right from the start. The Task Force commented on the need to speed up the elaboration of the restructuring program--June of this year is too distant a deadline. Such a program should, among other things, provide the specific branches and sectors of the economy with the wherewithal that will enable them to make an appraisal of their own prospects for growth and the direction of that growth and also create elements of risk, thereby forcing into action businesses which need to change the profile of their production. Simultaneously, such a program could form the basis for a cohesive and effective policy of steering consumer goods enterprises, which is within itself a problem needing immediate solution. The first question tied to this is, "Who should be the helmsman?"

It is the task force's opinion that this question should be resolved legislatively. The appropriate draft laws on the domestic market and on the establishment of a Ministry of the Domestic Market were evaluated positively by the Task Force a year ago. Coming out in favor--in opposition to critical voices--of the continuation of work on these bills, the Task Force supported the proposal of the MHWiU calling for the formation of a transitional Committee on the Domestic Market under the Council of Ministers. This would be a staff organ of the government with broad decisionmaking powers.

In the debate on the market and its weakness it is not possible to ignore the health of the retail trade sector. Among others, Deputy Minister of Domestic Trade and Services Tadeusz Przyborowski has spoken about the quantitative and qualitative backwardness of our retail trade infrastructure in comparison to the other CEMA countries. He brought it to the attention of the Task Force that the lowered performance efficiency of the retail trade sector, being a result of many years of limits on the influx of new capital, makes the current shortages even more acute and burdensome. On the other hand, though, these shortages serve as a kind of excuse for the inefficiency of the trade sector, and this in turn gives rise to a kind of vicious circle.

As the Task Force has noted, both the past practices and institutionalized controls set up by the reform, as well as those contained in the modifications for 1984, did not create for trade the conditions for assembling the resources for the expansion and modernization of the backward technical base, financing the rebuilding of inventories, and the streamlining of services. In this connection the Task Force deems it imperative that the proposals of the MHWiU in the matter of carrying out a reform of the retail trade sector's profit margins should be reexamined. In practice this would mean their increase. In the opinion of the Task Force the rules governing the credit backing of retail trade outlets in new housing developments under the same terms as apply to the housing construction industry should be settled once and for all. The predetermined rules written into the 1984 CAP governing the national budget's share of the depreciation allowances of state-owned retail trade enterprises should also be discarded.

Furthermore, in connection with the deepening disproportion between median pay in trade and in other parts of the economy, the Task Force postulates the application to trade of preferential adjustment factors allowing for an

increase in payroll funds which will be exempt from PFAZ. Likewise, it deems it to be imperative that a decision should be made in favor of enforcing the general principle whereby increases in payroll funds attributable to the hiring of additional workers in newly opened or modernized business establishments would be exempt from PFAZ taxes until such time as these installations are slated to go into full operation.

As if wanting to head off any doubts and reservations, the authors of this position stress that the acceptance of the above proposals "does not modify the fundamental principles of the reforms and does not establish a separate version of the reform for trade, rather they propose using somewhat changed specific solutions, mainly amounting to finding different ways of using commonly used tools."

The discussion period enriched the opinions expressed in writing in only a small way. Deputy Minister Przyborowski commented on, among other things, formal conditions of freedom of the market and demonstrated that the organization of trade is evolving in the direction written into the reform of the economy toward an open, competitive, multifaceted and elastic structure. This process moves slowly, but this is a result of market weakness, the lack of supply, technical backwardness and lack of resources for growth. The mistake would be to hurry this process along "by force."

Prof Struzycki shared the impression that after 2 years of reform it looks as if economic decisionmakers at the national level attach less weight to its general principles. Specifically, it seems that a theory that the market should play the role of stimulating production has been introduced. Also unsettling is the already traditional treatment of the market as a second-rate sphere of the economy. Prof Sztucki also called attention to this.

One of the themes of the discussion was prices. As Prof Struzycki stated, there arises a social sensitivity about contract prices. In the meantime, several instances of the abuse of this category of prices, overestimating calculations and other similar things should not rule out their usefulness. They should play an important role in the balancing supply and demand in the marketplace. Several speakers opted for equilibrium on high-priced goods. The proposition to expand the production of kindred products in standard and above standard versions and to vary their prices seems especially worthy of consideration. Together with balanced prices on articles of higher quality there could exist a system of prepayment guaranteeing their sale for predetermined prices, regardless of their currently prevailing level.

The other recap, alongside that of delegate Olga Rewinska, of the conference proceedings and the reform of retail trade and, in a broader sense, the consumer marketplace (I made mention of the first above) was made, in my opinion, by the director of the PIH [State Trade Inspectorate] in Lublin, Roman Olszynski. He did not talk about the reform, only about the tons of rancid butter, imported rotten plums, and so forth. If these things are possible, then either there is no reform at all or there is, but not this one.

NATIONAL BANK CHIEF ISSUES STATEMENT ON CURRENCY DEVALUATIONS

Warsaw RZECZPOSPOLITA in Polish 1 Mar 84 p 1, 5

[Report by PAP Correspondent Jan Cipiur: "Changes in the Foreign Exchange Rate of the Zloty; Exporting Incentives; Press Release by Stanislaw Majewski, President of the National Bank of Poland"]

[Text] The basic exchange rate of the zloty for the convertible ruble and American dollar has been changed as of 1 March 1984. The new exchange rates amount to 72 zlotys for a convertible ruble, and 110 zlotys for an American dollar.

In connection with this decision our PAP reporter obtained a statement from the president of the National Bank of Poland, Stanislaw Majewski, reflecting its principal aspects:

"Since 1 January 1982, i.e., from the moment of introducing reforms in the system of foreign exchange rates, the prevailing rate of exchange was 68 zlotys for a convertible ruble. The profitable course of implementing exports to socialist countries during the past 2 years has provided the opportunity for a positive assessment of the level of this foreign exchange rate. Presently, the rate of exchange has been set at 72 zlotys, which means a devaluation of the zloty in relation to the convertible ruble by 4 zlotys, that is, by 5.9 percent. It is worth recalling that a settlement of accounts takes place in convertible rubles between CEMA member countries by virtue of merchandise turnover.

"It should be added that the exchange rates of the national currencies of socialist countries used in non-commercial payments, i.e., in foreign travel, maintenance of foreign facilities, money orders, etc., were changed as of 6 February 1984 on the basis of the actual value of the purchasing power of the zloty derived from a comparison of retail prices in Poland and other socialist countries.

"Since 1 January 1982, the basic rate of exchange of the zloty to the American dollar had amounted to 80 zlotys, whereas the official rate of exchange up to the end of February 1984 was introduced on 1 July 1983 and was fixed at the 95-zloty level. In compliance with the system in use for establishing exchange rates, the bank establishes the exchange rates for the currencies of capitalist countries, taking into consideration the basic rate of exchange referred to and the mutual values of currencies exchangeable on the basis of exchange quotations of individual currencies on foreign exchange markets.

"Therefore, also as a result of an increase in the value of the American dollar to other exchangeable currencies, the current exchange rate of the dollar as of 29 February 1984 amounted to 98.28 zlotys. Consequently the present change in the exchange rate to the 110-zloty level signifies a devaluation in the zloty by nearly 12 zlotys, or 11.9 percent.

"The exchange rates of currencies of other capitalist countries undergo a similar degree of change.

"In both instances, if one considers a change in the exchange rate of the convertible ruble as well as a change in the exchange rate of the American dollar, we have to deal with the same reason for change. The foreign exchange rate should be--on a completely national economic scale--an instrument for stimulating exports. Meanwhile, analyses conducted, together with forecasts concerning growth trends in the cost of production stemming from higher domestic prices as well as foreign currency price trends in exports, indicated that unless the rate of exchange changes, exporting can prove to be an insufficiently attractive marketing avenue for many enterprises.

"Changes in exchange rates are consequently a decision which likewise takes into account changing conditions of exporting profitability. Furthermore, such ratios are maintained between the rate of exchange of the convertible ruble and the dollar in order to assure exporting profitability in relation to both payment zones. Higher profitability from exports to socialist countries than to payment zone II countries proves that devaluation of the zloty in relation to the convertible ruble is less than in relation to the dollar.

"Devaluation of the zloty represents an economic incentive for increased exports, which is the basis for an increase influx of the foreign currency funds that are so essential to our economy, in particular for implementing imports. It likewise provides an opportunity for enterprises to improve profitability of sales abroad. Enterprises manufacturing for export, however, should not be content with the present increased influx of zlotys for every ruble or dollar, but should undertake efforts to reduce production costs and improve the quality of production, as well as strive for the attainment of higher foreign currency prices for exported products.

"A change in the rate of exchange simultaneously leads to increased cost of imports. In a scale of devaluation such as that which has evolved from changes introduced in exchange rates, the increased cost of imports will be small. However, it should have an influence on more economical management of raw materials and fabricating materials.

"Exchange rate changes obviously exert an influence on the operation of the economy, and in particular on the establishment of domestic prices as well as the assumption of decisions in the sphere of production and foreign trade.

"This operation is a decision resulting from economic circumstances. Furthermore, attention is devoted to internal determining factors expressed in a specific level of production costs and external determining factors finding expression in the specific level of prices in foreign trade. The results of an analysis of these determining factors can very well lead to the recommendation that a change in the exchange rate is necessary to foster stimulation of exports. These very circumstances lie at the base of the current devaluation of the zloty."

NEW MARINE ENGINE FROM CEGIELSKI WORKS UNDER SWISS LICENSE

Warsaw RZECZPOSPOLITA in Polish 21 Feb 84 p 3

/Article by (lem): "New Generations of Engines From Cegielski" /

/Text/ Despite the difficulties still facing Polish shipyards, the Cegielski plant in Poznan is not encountering major difficulties with selling its basic product--main ship engines.

This is primarily due to high quality and modernity of production. Cegielski successfully realizes all the ever higher demands of its clients who often call for unique engines, of which only one specimen is to be made.

Last year the HCP /Cegielski/ plant built a prototype of a 6 RLB 66 ship engine, characterized by lower fuel consumption, higher power output per cylinder, and easier operation. The buyer is a Finnish shipowner, the future production of engines of this type is slated for the Polish steamship Company. This year, the factory's bestseller is the commencing of production of a new generation of ship engines, RTA, under the license of Sulzer, a Swiss company. The engineering novelty of these engines lies in that they are equipped with valves, and a significantly more efficient operation thanks to the elimination of gears.

Independently of modernization of the design introduced by the licensor, Cegielski, specifically its research and development center, implemented its own design solutions in this generation of engines. Many of these innovations are geared to eliminate the need for imports. Among them are air coolers and modern maneuvering posts which make it possible to operate the machine room without watch shifts.

The most important advantage of the new engines lies in considerably lower fuel consumption in comparison with previous engine types. In 24 hours the new engine, with about 10,000 horsepower, uses more than 3 tons of fuel less. During year-long use, 6-7,000 hours on the average, this will result in fuel savings in the range of half a million dollars. Moreover, engines of this type can operate without breakdowns on all types of mazut, even the worst quality.

Construction of the first engine of the RT-A58 type is proceeding according to plan. Presently its basic elements are being tested; test bench trials are planned for May. This year the plant will produce four such engines destined for ships being built at the Paris Commune shipyard in Gdynia; the shipowner will be the Polish Ocean Lines.

The sales plan for this year foresees the construction of 31 ship engines in all. Eleven of these are earmarked for Polish shipowners, and others for export to Bulgaria, Romania, India, Greece, and Argentina.

12503

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PZPR BODY REVIEWS GOVERNMENT MARITIME POLICY PROPOSALS

Warsaw TRYBUNA LUDU in Polish 6 Mar 84 pp 1, 2

/Article by Urszula Orzelska: "For a Maritime Poland" /

/Text/ Reaction to the draft proposal by the Government Presidium concerning state maritime policy, and information about the achievement of production and service goals by units of maritime industry last year were among the topics of a meeting of the Maritime Economy Commission of the PZPR Central Committee which took place on the 5th of this month.

Participants in the meeting included Deputy Prime Minister Zbigniew Szalajda; Minister of Maritime Economy Jerzy Korzonek; Minister of Foreign Trade Tadeusz Nestorowicz; ministers and deputy ministers of agencies responsible for the implementation of the Resolution by the 10th Plenum of the Central Committee. The meeting was presided over by the chairman of Maritime Commission, candidate member of the Politburo Stanislaw Bejger. Deputy Prime Minister Zbigniew Szalajda stated in his introduction that the inspiration for the drafting of the government proposal on the program of state maritime policy had been given both by the Resolution of the 9th Party Congress and the Resolution of the 10th Plenum of the Central Committee. To insure that these resolutions were carried out, the Council of Ministers adopted the government timetable which set goals for individual agencies. As a result of meeting this timetable, the Government Presidium's project has been proposed before the Maritime Commission.

We have not been a maritime nation despite the fact that our geographical position destines us for it, said the participants in the discussion. We have never had our own long-range program to use the sea. Thus the fact that we are finally closing the stage of planning the goals for years 1984-85, and are going on to formulate long-range programs, has all the more significance.

Maritime economy has no small share in overcoming the crisis. But it must be helped. This requires the coordination of actions not only by central decision-making and executive centers, but also by many other institutions and enterprises. The program proposal, which was highly praised by members of the Maritime Commission, is intended to serve this very aim.

Among others, such help would consist in cooperation among the nation's shipyards and shipowners, as requested by, among others, M. Kowalikowski, director of the

Polish Ocean Lines. The director of Polish Steamship company, Ryszard Karger, said: "We must create systemic solutions which will clearly decide who will be responsible for the difference between ship prices on the world and domestic markets. If the shipping companies sell their services to the state at world prices, then they should pay world prices for their equipment, and not higher prices."

The discussants were concerned with the lack of determination of the share of sea shipping in Polish foreign trade. It is not mentioned in the 1984-85 program.

Jerzy Gwiazdzinski, deputy chairman of the Planning Commission and member of the Maritime Commission, remarked on the question of the reconstruction of the deepsea fishing fleet. He said: "We cannot sign contracts for which we have no money. At the same time we know that we must rebuild this fleet. Satisfying all needs would require the expenditure of 50 billion zlotys. We cannot accept this program before the 5-year plan is set. We can only decide the minimum, three ships in 1987 and five ships in 1988. This is the only option possible today."

It is impossible to quote the full discussion which took several hours. Its motto could be the speech of Ryszard Bobrowski, member of the Maritime Commission: the Central Committee is working on the program of maritime policy for the first time. In a few days, at the National Delegate Conference, we shall sum up what we have done in this area during the first half of this term.

Next, the Maritime Commission heard the report of Minister Jerzy Korzonek concerning the achievement of production and service goals by units of maritime industry in 1983. The fact that all goals set in the Central Annual Plan were overfulfilled, was greeted with satisfaction.

12503
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PZPR BODY CONFERS ON EXPORT SALES OF CONSTRUCTION SERVICES

Warsaw FUNDAMENTY in Polish No 10, 8 Mar 84 p 2

/Article by Teodor Wernicki/

/Text/ Construction exports are profitable, although they could be even more lucrative. They are being hampered, however, by improvisation; this manifestations can be encountered in all stages of export activities: acquisition and preparation of offers, setting conditions of contracts, and in carrying them out. This matter has become especially acute in the conditions of economic reform, when the group of construction firms which have been exporting construction services for years was joined by new ones.

Construction exports could also promote the most profitable form of sales--of technological know-how, and of complete industrial objects. In short, construction exports still offer a big chance. How should we use it? How can we eliminate existing limitations and constraints?

An attempt to answer these and other questions was undertaken by the participants in a conference organized in the Economic Department of the PZPR Central Committee. They included secretaries of basic party organizations and directors of foreign trade enterprises and cooperatives involved in construction exports, as well as construction enterprises which have export licenses.

In a rich, substantive discussion all important problems of export of building and construction-assembly services were mentioned. The participants pointed to the fact that there are many superficial, often unjust opinions about construction exports. They are often formulated on the basis of information concerning a few unsuccessful contracts, such as drainage and land reclamation works in Iraq.

Many discussants pointed out the need to intensify the efforts directed at the Soviet market, which constitutes an enormous field for action by our industrial building construction. It was stated that despite the fall in investment levels in other socialist countries there are opportunities for the increase of Polish construction exports, among others in the area of repair and renovation services. Also promising for Polish building industry are the presently most important Libyan and Iraqi markets. It is worth trying for new contracts. Considerable opportunities exist for our construction in other countries of the Near and Middle East.

The present concession policy is quite controversial. Many new building exporters believe that the adopted solutions impede the possibilities for their trade expansion because they are frequently denied concessions for markets where they have had earlier experience. Some discussants said they favored the abolition of present restrictions in the conceding of enterprises; however, there were also contrary voices which warned against an overly liberal approach to granting permission to produce for export.

A separate group of remarks concerned the course of economic reform in foreign trade. There was agreement that solutions adopted for this sphere of economic activity do not take into account the specifics of the export of services and objects. This can be seen in especially sharp relief in the case of credit system, including credits extended in zlotys. The difficulties in getting zloty credits seriously limit the possibilities of making contracts for the delivery of complete industrial objects.

It was said that regulations concerning the principles of hiring Polish employees for foreign construction projects also require putting in order. Most purposeful would be to adopt a principle, wherever possible, that employees should account on the basis of contracts for a product. This would make possible a considerable shortening of the term of contracts while retaining high work quality.

There was also talk about the phenomenon of competition among Polish construction exporters, which is disadvantageous for the country. Many discussants believed that a proper forum for the coordination of actions by exporters in various markets, as well as for the arbitration of conflicts, should be the Committee of Construction Exporters attached to the Polish Chamber of Foreign Trade.

The meeting was chaired by the deputy head of the Economic Department of the PZPR Central Committee, Krzysztof Chinowski.

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TASK FORCE CITES BARRIERS TO REFORM IN TRANSPORTATION INDUSTRY

Warsaw RZECZPOSPOLITA in Polish 1 Mar 84 p 4

[Article by em es: "From Studies Conducted by the Commission on Economic Reform; Transportation--Realities and Threats"]

[Text] The ways and means of managing transportation under economic reform conditions were the subject of discussion by Task Force 16 of the Commission on Economic Reform on 29 February 1984.

Adaptation of transportation enterprises to the ways and means of economic reform is confronted with various types of barriers, the conferees observed. In fact this leads to two basic problems--regulations introduced by reform are formulated primarily from the point of view of industry. They do not take into consideration specific dissimilarities related to the economic situation as well as the scope and determining factors in which transportation functions.

A second group of reasons hindering the application of reform is connected with the technological status and economic conditions of transportation enterprises.

The conferees likewise discussed deficit passenger rates for Polish Motor Transport [PKS] railway, bus and municipal transportation as well as deficit rates for goods transported by rail. This continues to be, they stressed, inconsistent with one of the fundamental principles of the reform--self-financing.

However, it must be clearly stated, the members of task force on matters of transportation advised, that prior systems-type solutions, together with those which were adopted for 1984, do not assure transportation the opportunity for efficient functioning and development. Virtually none of the spheres contributing to the function of transportation centers were adjusted before closing.

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YUGOSLAVIA

DATA ON AID AGREEMENTS BETWEEN DEVELOPED, UNDEVELOPED AREAS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 31 Mar-2 Apr 84 p 12

[Excerpts] The results of pooling labor and resources between organizations in the developed and the undeveloped areas of the country in the 1981-1983 period was the basis for a recent discussion in the council for questions on development of the inadequately developed republics and provinces in the SFRY Assembly Chamber of Republics and Provinces. In this period 386 self-management agreements for development programs and projects were concluded (165 in Macedonia, 138 in Bosnia-Hercegovina, 57 in Kosovo, and 26 in Montenegro). A preliminary estimate of the value of agreements concluded with OUR's (organizations of associated labor) totals 175 billion dinars (87.3 billion dinars with OUR's in Bosnia-Hercegovina, 44.9 billion with OUR's in Kosovo, 32.4 billion with OUR's in Macedonia, and 10.4 billion dinars with OUR's in Montenegro). Most of the funds (49.7 percent) were allocated for investments in 192 new projects; 39.9 percent was earmarked for construction and modernization work on 154 [existing] projects, and 10.4 percent was for overruns on 40 projects. Nearly one-half of the agreements (190) were concluded on a credit basis (this is considered very unfavorable), 125 on the basis of income, and the remainder on the basis of a mixed form of pooling. The estimated value of projects which are based on credit relations is 62.6 billion dinars, that of projects based on income relations is 59.5 billion dinars, while that for projects based on a mixed form of pooling is nearly 17 billion dinars. Most of the programs (243) are directed toward developed opstinas which is also not in accord with the decision. Within the framework of 303 of the agreements 56,900 workers are expected to be employed (21,900 in Bosnia-Hercegovina, 15,800 in Kosovo, 14,100 in Macedonia, and 5,100 in Montenegro). These facts show that the process of associating [pooling], despite the very complex conditions of economic operation, is showing initially positive results, but estimates about it differ quite a bit. Despite the fact that 386 agreements have been signed and 175 billion dinars have crossed republic borders, there are many shortcomings and open questions, although results achieved in associating cannot be ignored.

Problems include the insufficient mobility of funds for pooling, the slow agreement and realization of programs, the irregular payment of pooled funds and their channeling into developed [instead of undeveloped] opstinas, the predominance of credit relations, and the increased pooling of OUR funds within one republic or opstina. These problems are being permanently increased by many difficulties, such as low economic efficiency and effectiveness in use of funds, indebtedness of the economy, high inflation, dinar and foreign exchange illiquidity, lack of

raw materials and basic producer goods, low capital accumulative and investment capability of the economy, and the steady increase in losses. The pooling of labor and funds is also negatively affected by fragmentation of funds, differing interests of contributors, delay in issuing and utilizing agreed-on measures, lack of common bases and measures for establishing the value of transferred technology and material rights which are the object of pooling, and the inadequate commitment and influence of scientific professional institutions in preparing and verifying programs.

One of the key questions is how to direct the funds of the Federal Fund for Granting Credits for the Faster Development of Underdeveloped Republics and Provinces which account for 18.6 percent of the total capital accumulation of the country, toward correct and good projects.

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YUGOSLAVIA

LEAD, ZINC PRODUCTION STATUS, PLANS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Mar 84 p 3

[Article by I. Stojiljkovic: "Failing To Keep Pace With the Market"]

[Text] Certain fluctuations and greater or smaller divergences in development and production plans have been noted in the production of lead and zinc ore and lead and zinc metal in recent years. Such trends are a consequence of a mismatch in the scale and performance of investment programs between the production of ore and the production of metal, but also of overall inconsistencies in carrying out long-range economic policy, which put very great emphasis on the more rapid development of raw materials as one of the principal strategic commitments. This kind of lag and the failure to keep pace with the market are especially characteristic of the present moment, when lead and zinc are again in demand on the world market.

The production of lead-zinc ore had an index number of 96 if 1983 is compared to 1982, lead recording an index of 118 and zinc an index number of 99. Thus the descending line in the production of these two nonferrous metals has continued. To be specific, last year 4,063,000 tons of lead-zinc ore were produced, while output was 4,252,000 tons in 1982 and 4,365,000 tons in 1981. Trends during this 5-year period have also been unfavorable in the production of the metal, although last year lead recorded more favorable results than in the previous year. Production of raw lead, that is, had an index number of 117, while that of refined lead was 120, but the results achieved in 1981 were not repeated last year. Total output of raw lead was 127,112 tons in 1983, as compared to 109,008 tons in 1982. Production of refined lead was 86,401 tons in 1981, in 1982 it fell to 81,248 tons, and last year it reached a level of 97,531 tons. The production of raw zinc fell from 96,370 tons in 1981 to 86,867 tons in 1982, and last year it rose to 88,049 tons; last year's output of refined zinc was 43,881 tons, compared to 33,882 tons in 1982, with a growth index of 130.

Unfavorable trends were recorded for electrolytic zinc and zinc alloys. Electrolytic zinc had an index number of 84 last year, while total output was 44,168 tons, as against 52,885 tons in 1982. The index number of zinc alloys is 85; output last year was 12,340 tons, as compared to 14,596 tons in the previous year.

Ambitious Production Programs in 1984

Although certain products were characterized last year by an ascending line inventories of the products of lead and zinc manufacturing stood at less than 70 percent at the end of 1983, while for zinc they were at 90 percent. This overall trend of inventories also indicates certain structural problems, since there are no intermediate products on the market for further manufacturing as a consequence of failure to implement the self-management accord on joint exports. The lag in certain production operations and the low level of inventories confronted the nonmetallic minerals industry with a shortage of zinc and the metals industry and electrical products industry with a shortage of galvanized sheet. The shortage of galvanized sheet resulted from the lack of production supplies and interruptions in production because of the fuel shortage.

Favorable trends in this segment of nonferrous metallurgy should continue this year in this segment of nonferrous metallurgy as a whole. Domestic producers of lead, zinc and antimony are planning to produce 10 percent more metal, which presupposes a corresponding increase in ore production. It is assumed that the output of lead will be 129,000 tons, which would represent a 12-percent increase over 1983. The production of zinc metal is supposed to increase 11 percent, that is, to go higher than 100,000 tons, as against 93,000 tons in 1983.

Programs which are ambitious both compared to last year's results and also to planning targets in industry as a whole this year are based on consistent implementation of plans which have been adopted in production of both ore and metal. A high pace of production will have to be maintained during the year and optimum utilization of capacity achieved at the lead smelters at "Trepca" and "Tesla" in Brcko, which last year achieved a high level of output. However, the zinc smeltery at "Trepca" encountered problems at the very beginning of the year, nor did ore production escape them. That is, at the beginning of February the zinc smeltery at "Trepca" faced a shortage of concentrate, breakdowns in the mufflers, and interruptions in the supply of electric power. Because of another breakdown there was a lag in February production, even though reserves of concentrate and sinter had been built up. The result of that was that in practical terms the February plan was fulfilled at a level of 63 percent for sinter, 43 percent for cathode zinc and only alloys had an index number of 112.

One of the primary preconditions for fulfilling the ambitious programs is certainly to obtain the highest possible percentage of metal from the concentrate, since in certain metallurgical installations the processing losses are still very high. They range between 5 and 8 percent in lead production and in the case of zinc they even go as high as 10 percent. At the same time, technological improvements would afford a higher production of noble metals from the lead-zinc ore, since at certain mines this is even an essential precondition for economical business operation ("Brskovo" at Mojkovac).

More favorable development should also be anticipated in the segment of lead and zinc fabrication. A 40-percent increase in manufacturing is assumed, and that includes antimony.

Favorable Opportunities on the Foreign Market

The rapid invigoration of automobile production, which is a large consumer of zinc and lead, and of other industries in the advanced industrial countries, as a component of the overall invigoration of economic activity, are offering opportunities to the Yugoslav lead and zinc industry. Last year exports of refined lead amounted to 18,000 tons and were at the level of 1982, but this was still a success when compared to the 14,000 tons exported in 1981. Zinc spelter and alloys were sold on the foreign market in the amount of 25,000 tons, as against 23,000 tons in 1982 and 22,000 tons in 1981.

It is not just a question of the potential and actual volume of exports, but also of their composition and regional distribution, so that we are not achieving the full economic benefits which we might otherwise achieve on the foreign market.

It is a fact, for example, that last year zinc consumption in the world reached 4.52 million tons and that inventories are modest. The fact that demand is greater than the supply this year suggests the conclusion that this year zinc will go as high as 750 pounds per ton on the London exchange, which means that in just 1 year the price would rise 300 pounds. Our producers should see this as a particular opportunity because at least 101,000 tons are anticipated this year. The problem, however, lies in the inadequate investment in mining production and in full activation of the capacity of the zinc metallurgical installation at "Trepca" only in 1985. Yet it is certain that a far greater obstacle is the erroneous calculation when foreign credits are contracted for, when obligations are assumed to pay them off in kind--by exporting the metal. This has placed us in a situation of exporting at the moment the same amount of zinc metal as we are importing in order to ensure regular supply of domestic manufacturers. By exporting the metal instead of products in a higher phase of manufacturing and by importing the expensive metal, we as a community are losing substantial foreign exchange at the present moment.

As a practical matter, the same trends have been manifested with lead. The prices of lead on the world market have recovered, which was in large measure brought about by the reduction of world production in 1983. The shortage felt both by producers and consumers, who had exhausted earlier purchases made at the low prices, initiated a price rise at the very beginning of the year. Since the beginning of January the price of 290 pounds per ton of lead had risen 20 pounds by the end of March and the forecasts are that it will soon reach 330 pounds per ton. The opportunity is reinforced by the vigor of the automobile industry, and there is still no alternative to the lead storage battery, so that lead will not receive any "low blows" from that quarter.

We should stress in conclusion that the symbiosis of lead and zinc requires a growth of production of both, which is already being confirmed on a world scale, which is why our producers must be alert and by always keeping abreast of tendencies in this segment of nonferrous metallurgy must find more lasting strategies in production and development.

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YUGOSLAVIA

HIGHWAY, RAIL TRANSPORTATION OF GOODS, PASSENGERS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 12 Mar 84 p 27

[Text] According to preliminary figures on the business operation of work organizations in the transportation sector, last year brought a certain shift toward reorientation (of freight traffic above all) toward the more efficient and cheaper branches of transportation (which is, of course, in line with the general social strategies in transportation policy. This observation is relativized only to a certain extent by the datum that the volume of freight traffic dropped 1.6 percent last year from the year before last. Yet traffic measured in net ton-kilometers increased 2.7 percent over the same period. More work, then, was done with a smaller volume of freight. In passenger transportation the volume of traffic in passenger-kilometers was up 4.1 percent. The number of passengers was at the same time up 10.5 percent. Expressed in absolute terms, last year's balance of traffic in transportation activities was as follows: slightly over 369.2 million tons of freight and about 1.16 billion passengers were carried, and traffic amounted to 221,013 million net ton-kilometers and 47.69 billion passenger-kilometers.

In freight transportation it is essential to take note of the redistribution of freight to rail transportation. Last year the railroads carried 88,447,000 tons of freight, which is 3.2 percent more than in 1982. Traffic at the same time amounted to 27,567 million net ton-kilometers, an increase of 5.4 percent. The trucking industry at the same time carried 3.6 percent less freight, while traffic in net ton-kilometers was down 1 percent. The volume of freight in highway transportation is still, of course, incomparably greater than in rail transportation (about 234,533,000 tons of freight were carried)--but traffic measured in net ton-kilometers is still considerably below that of the railroads (20,759 million net ton-kilometers).

The results achieved in highway transportation are somewhat less favorable for the railroads. Last year the Yugoslav railroads carried 116,964,000 passengers, or 5.6 percent more than in 1982, while traffic was 11,696 million passenger-kilometers, for an increase of 3.8 percent. At the same time highway transportation was used by 1,039,925,000 passengers, which is a rise of 11.6 percent over the same period. The difference in the number of passengers between rail and highway transportation is, however, rather relative, since the volume of over 1 billion passengers on common carriers in highway transportation traveled only 30,988 million kilometers (which is only about

a 2.5-fold "longer trip" than that "taken" by the number of rail passengers mentioned). It is also significant that the increase in the number of passenger-kilometers in highway transportation is half as great as the increase in the number of passengers and amounts to 5.6 percent. Another welcome fact from the standpoint of social strategies in transportation policy can also be drawn from these figures: that passengers taking longer trips are more and more often choosing the railroad.

The railroads carried 24 percent of all the freight carried last year, and the trucking industry 63.5 percent. The share of the railroads thus increased 1.2 index points, while the share of common highway carriers dropped 1.4 index points. The share of the railroads in the total freight traffic last year, measured in net ton-kilometers, rose to 12.5 percent (from 12.2 percent in 1982), while highway freight carriers saw their share drop from 9.7 to 9.4 percent. The share of the railroads in passenger traffic dropped slightly, and that of highway transportation increased, also slightly. Last year the railroads accounted for 10 percent of all trips (as against 10.5 percent in 1982), while common highway carriers accounted for all of 89.3 percent (as against 88.4 percent in 1982). Last year the railroads had a share of 24.5 percent in total passenger-kilometers (that share was 24.6 percent in 1982), while common highway passenger carriers had a share of 65 percent (a growth of 1 index point over 1982).

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YUGOSLAVIA

BRIEFS

LOW LABOR PRODUCTIVITY--According to analyses, each worker in our country loses, on the average, 99 minutes in each working day. In West European countries a Siemens-Martin blast furnace produces 150 tons of steel in 45 minutes; in our plants it takes 6 hours to produce this amount. A miner in our surface coal mines produces 14.4 tons of coal a day on the average compared to 84.4 tons in Western countries. In agriculture, per-hectare corn yields in our country average 45 metric centners, while in Bulgaria they are 49, in Hungary 54, in West Germany, Italy, and the United States from 62 to 69 metric centners. We average 30 metric centners per hectare in wheat production, compared to as much as 59 in European countries. In certain yields, however, we are attaining world records. Almost all low labor productivity can be traced to two factors: the lack of adequately trained personnel in industrial production to work on machines, especially if it a question of modern, high technology, which more often stands idle in factories; and as a result of the increase in functionaries both in the production economy and outside of it, major factors of production, namely, production teams, are rendered incapable of operating. The growth of labor productivity is also impeded by subordination of the economy to local and regional interests, the lack of a common Yugoslav market and economic competition, and usurping [of social property] by small informal group owners. The major movers of high labor productivity--science and engineering and technical personnel--have been pushed into second place in most of our enterprises, which widens the area for voluntaristic solutions and improvisation, and especially for greater influence by the administrative apparatus on the economy. [Excerpt] [Belgrade BORBA in Serbo-Croatian 19 Mar 84 p 4]

CORN EXPORTS--This year Yugoslavia will export 30,000 tons of seed corn, valued at about \$45 million, to buyers in about 10 countries. Yugoslavia ranks third, after the United States and Canada, in this export. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Mar 84 p 9]

NEW JOBS--Last year only 110,000 of the 240,000 persons newly employed in the socialized sector filled new jobs; others filled jobs vacated largely by persons retiring. This year only 120,000 of the 310,000 new workers expected to be employed will fill new jobs. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 12 Mar 84 p 15]

TRADE WITH BELGIUM, LUXEMBOURG--Deliveries of corn in barter arrangements contributed to increasing Yugoslav exports to Belgium and Luxembourg in 1983 when

total exports to these countries rose by 56.7 percent to \$54.3 million. At the same time imports from Belgium increased by one-fifth, to \$138 million, increasing the deficit to \$83.7 million; 30 percent of imports were covered by exports, representing an increase of 10 points. A joint project to build silos at the port of Zadar is under consideration with a Belgian partner. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 22 Mar 84 p 12]

SUGAR BEETS--This year only 91 percent of the area planned for sugar beets has been planted in the Slavonia-Baranja area of Croatia; i.e., 23,317 ha instead of the planned 25,176 ha. From this area 110,000 railroad carloads of sugar beets are expected to be produced which will utilize 78 percent of sugar mill capacities. In contrast to earlier years, less area has been planted in both the socialized and private sectors, largely because of lack of fertilizer and the late decision to pay higher prices to farmers for sugar beets. [Excerpt] [Belgrade PRIVREDNI PREGLED 4 Apr 84 p 12]

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